THE Freeman

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OCTOBER 1965

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Back to Gold?

HENRY HAZLITT

IN FEBRUARY of this year President de Gaulle of France startled the financial world by calling for a return to an international gold standard. American and British monetary managers replied that he was asking for the restoration of a world lost forever. But some eminent economists strongly endorsed his proposal. They argued that only a return to national currencies directly convertible into gold could bring an end to the chronic monetary inflation of the last twenty years in nearly every country in the world.

What is the gold standard? How did it come about? When and why was it abandoned? And why is there now in many quarters a strong demand for its restoration?

We can best understand the answers to these questions by a glance into history. In primitive societies exchange was conducted by barter. But as labor and production became more divided and specialized, a man found it hard to find someone who happened to have just what he wanted and happened to want just what he had. So people tried to exchange their goods first for some article that nearly everybody wanted so that they could exchange this article in turn for the exact things they happened to want.

This common commodity be-

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books, including *What You Should Know About Inflation* (Princeton, N. J.: D. Van Nostrand, 1960; second edition, 1965).

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came a medium of exchange—money.

All sorts of things have been used in human history as such a common medium of exchange—cattle, tobacco, precious stones, the precious metals, particularly silver and gold. Finally gold became dominant, the "standard" money.

Gold had tremendous advantages. It could be fashioned into beautiful ornaments and jewelry. Because it was both beautiful and scarce, gold combined very high value with comparatively little weight and bulk; it could therefore be easily held and stored. Gold "kept" indefinitely; it did not spoil or rust; it was not only durable but practically indestructible. Gold could be hammered or stamped into almost any shape or precisely divided into any desired size or unit of weight. There were chemical and other tests that could establish whether it was genuine. And as it could be stamped into coins of a precise weight, the values of all other goods could be exactly expressed in units of gold. It therefore became not only the medium of exchange but the "standard of value." Records show that gold was being used as a form of money as long ago as 3,000 B.C. Gold coins were struck as early as 800 or 700 B.C.

One of gold's very advantages, however, also presented a problem. Its high value compared with its weight and bulk increased the risks of its being stolen. In the sixteenth and even into the nineteenth centuries (as one will find from the plays of Ben Jonson and Molière and the novels of George Eliot and Balzac) some people kept almost their entire fortunes in gold in their own houses. But most people came more and more into the habit of leaving their gold for safekeeping in the vaults of goldsmiths. The goldsmiths gave them a receipt for it.

The Origin of Banks

Then came a development that probably no one had originally foreseen. The people who had left their gold in a goldsmith's vault found, when they wanted to make a purchase or pay a debt, that they did not have to go to the vaults themselves for their gold. They could simply issue an order to the goldsmith to pay over the gold to the person from whom they had purchased something. This second man might find in turn that he did not want the actual gold; he was content to leave it for safekeeping at the goldsmith's, and in turn issue orders to the goldsmith to pay specified amounts of gold to still a third person. And so on.

This was the origin of banks, and of both bank notes and checks.

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If the receipts were made out by the goldsmith or banker himself, for round sums payable to bearer, they were bank notes. If they were orders to pay made out by the legal owners of the gold themselves, for varying specified amounts to be paid to particular persons, they were checks. In either case, though the ownership of the gold constantly changed and the bank notes circulated, the gold itself almost never left the vault!

When the goldsmiths and banks made the discovery that their customers rarely demanded the actual gold, they came to feel that it was safe to issue more notes promising to pay gold than the actual amount of gold they had on hand. They counted on the high unlikelihood that everybody would demand his gold at once.

This practice seemed safe and even prudent for another reason. An honest bank did not simply issue more notes, more IOU's, than the amount of actual gold it had in its vaults. It would make loans to borrowers secured by salable assets of the borrowers. The bank notes issued in excess of the gold held by the bank were also secured by these assets. An honest bank's assets therefore continued to remain at least equal to its liabilities.

There was one catch. The bank's liabilities, which were in gold, were all payable *on demand*, without prior notice. But its assets, consisting mainly of its loans to customers, were most of them payable only on some date in the future. The bank might be "solvent" (in the sense that the value of its assets equaled the value of its liabilities) but it would be at least partly "illiquid." If all its depositors demanded their gold at once, it could not possibly pay them all.

Yet such a situation might not develop in a lifetime. So in nearly every country the banks went on expanding their credit until the amount of bank-note and demand-deposit liabilities (that is, the amount of "money") was several times the amount of gold held in the banks' vaults.

The Fractional Reserve

In the United States today there are $11 of Federal Reserve notes and demand-deposit liabilities – i.e., $11 of money – for every $1 of gold.

Up until 1929, this situation – a gold standard with only a "fractional" gold reserve – was accepted as sound by the great body of monetary economists, and even as the best system attainable. There were two things about it, however, that were commonly overlooked. First, if there was, say, four, five, or ten times as much note and deposit "money"

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in circulation as the amount of gold against which this money had been issued, it meant that prices were far higher as a result of this more abundant money, perhaps four, five, or ten times higher, than if there had been no more money than the amount of gold. And business was built upon, and had become dependent upon, this amount of money and this level of wages and prices.

Now if, in this situation, some big bank or company failed, or the prices of stocks tumbled, or some other event precipitated a collapse of confidence, prices of commodities might begin to fall; more failures would be touched off; banks would refuse to renew loans; they would start calling old loans; goods would be dumped on the market. As the amount of loans was contracted, the amount of bank notes and deposits against them would also shrink. In short, the supply of money itself would begin to fall. This would touch off a still further decline of prices and buying and a further decline of confidence.

That is the story of every major depression. It is the story of the Great Depression from 1929 to 1933.

From Boom to Slump

What happened in 1929 and after, some economists argue, is that the gold standard "collapsed." They say we should never go back to it or depend upon it again. But other economists argue that it was not the gold standard that "collapsed" but unsound political and economic policies that destroyed it. Excessive expansion of credit, they say, is bound to lead in the end to a violent contraction of credit. A boom stimulated by easy credit and cheap money must be followed by a crisis and a slump.

In 1944, however, at a conference in Bretton Woods, New Hamshire, the official representatives of 44 nations decided – mainly under the influence of John Maynard Keynes of Great Britain and Harry Dexter White of the United States – to set up a new international currency system in which the central banks of the leading countries would cooperate with each other and coordinate their currency systems through an International Monetary Fund. They would all deposit "quotas" in the Fund, only one-quarter of which need be in gold, and the rest in their own currencies. They would all be entitled to draw on this Fund quickly for credits and other currencies.

The United States alone explicitly undertook to keep its currency convertible at all times into gold. This privilege of converting their dollars was not given to its

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own citizens, who were forbidden to hold gold (except in the form of jewelry or teeth fillings); the privilege was given only to foreign central banks and official international institutions. Our government pledged itself to convert these foreign holdings of dollars into gold on demand at the fixed rate of $35 an ounce. Two-way convertibility at this rate meant that a dollar was the equivalent of one-thirty-fifth of an ounce of gold.

The other currencies were not tied to gold in this direct way. They were simply tied to the dollar by the commitment of the various countries not to let their currencies fluctuate (in terms of the dollar) by more than 1 per cent either way from their adopted par values. The other countries could hold and count dollars as part of their reserves on the same basis as if dollars were gold.

International Monetary Fund Promotes Inflation

The system has not worked well. There is no evidence that it has "shortened the duration and lessened the degree of disequilibrium in the international balances of payments of members," which was one of its six principal declared purposes. It has not maintained a stable value and purchasing power of the currencies of individual members. This vital need was not even a declared purpose.

In fact, under it inflation and depreciation of currencies have been rampant. Of the 48 or so national members of the Fund in 1949, practically all except the United States devalued their currencies (i.e., reduced their value) that year following devaluation of the British pound from $4.03 to $2.80. Of the 102 present members of the Fund, the great majority have either formally devalued since they joined, or allowed their currencies to fall in value since then as compared with the dollar.

The dollar itself, since 1945, has lost 43 per cent of its purchasing power. In the last ten years alone the German mark has lost 19 per cent of its purchasing power, the British pound 26 per cent, the Italian lira 27 per cent, the French franc 36 per cent, and leading South American currencies from 92 to 95 per cent.

In addition, the two "key" currencies, the currencies that can be used as reserves by other countries—the British pound sterling and the U. S. dollar—have been plagued by special problems. In the last twelve months the pound has had to be repeatedly rescued by huge loans, totaling more than $4 billion, from the Fund and from a group of other countries.

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Balance of Payments

The United States has been harassed since the end of 1957 by a serious and apparently chronic "deficit in the balance of payments." This is the name given to the excess in the amount of dollars going abroad (for foreign aid, for investments, for tourist expenditures, for imports, and for other payments) over the amount of dollars coming in (in payment for our exports to foreign countries, etc.). This deficit in the balance of payments has been running since the end of 1957 at a rate of more than $3 billion a year. In the seven-year period to the end of 1964, the total deficit in our balance of payments came to $24.6 billion.

This had led, among other things, to a fall in the amount of gold holdings of the United States from $22.9 billion at the end of 1957 to $13.9 billion now – a loss of $9 billion gold to foreign countries.

Other changes have taken place. As a result of the chronic deficit in the balance of payments, foreigners have short-term claims on the United States of $27.8 billion. And $19 billion of these are held by foreign central banks and international organizations that have a legal right to demand gold for them. This is $5 billion more gold than we hold altogether. Even of the $13.9 billion gold that we do hold, the Treasury is still legally obliged to keep some $8.8 billion against outstanding Federal Reserve notes.

This is why officials and economists not only in the United States but all over the Western world are now discussing a world monetary reform. Most of them are putting forward proposals to increase "reserves" and to increase "liquidity." They argue that there isn't enough "liquidity" – that is, that there isn't enough money and credit, or soon won't be – to conduct the constantly growing volume of world trade. Most of them tell us that the gold standard is outmoded. In any case, they say, there isn't enough gold in the world to serve as the basis for national currencies and international settlements.

The Minority View

But the advocates of a return to a full gold standard, who though now in a minority include some of the world's most distinguished economists, are not impressed by these arguments for still further monetary expansion. They say these are merely arguments for still further inflation. And they contend that this further monetary expansion or inflation, apart from its positive dangers, would be a futile means even of

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achieving the ends that the expansionists themselves have in mind.

Suppose, say the gold-standard advocates, we were to double the amount of money now in the world. We could not, in the long run, conduct any greater volume of business and trade than we could before. For the result of increasing the amount of money would be merely to increase correspondingly the wages and prices at which business and trade were conducted. In other words, the result of doubling the supply of money, other things remaining unchanged, would be roughly to cut in half the purchasing power of the currency unit. The process would be as ridiculous as it would be futile. This is the sad lesson that inflating countries soon or late learn to their sorrow.

The Great Merit of Gold

The detractors of gold complain that it is difficult and costly to increase the supply of the metal, and that this depends upon the "accidents" of discovery of new mines or the invention of better processes of extraction. But the advocates of a gold standard argue that this is precisely gold's great merit. The supply of gold is governed by nature; it is not, like the supply of paper money, subject merely to the schemes of demagogues or the whims of politicians. Nobody ever thinks he has quite enough money. Once the idea is accepted that money is something whose supply is determined simply by the printing press, it becomes impossible for the politicians in power to resist the constant demands for further inflation. Gold may not be a theoretically perfect basis for money; but it has the merit of making the money supply, and therefore the value of the monetary unit, independent of governmental manipulation and political pressure.

And this is a tremendous merit. When a country is not on a gold standard, when its citizens are not even permitted to own gold, when they are told that irredeemable paper money is just as good, when they are compelled to accept payment in such paper of debts or pensions that are owed to them, when what they have put aside, for retirement or old-age, in savings banks or insurance policies, consists of this irredeemable paper money, then they are left without protection as the issue of this paper money is increased and the purchasing power of each unit falls; then they can be completely impoverished by the political decisions of the "monetary managers."

I have just said that the dollar itself, "the best currency in the world," has lost 43 per cent of its

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purchasing power of twenty years ago. This means that a man who retired with $10,000 of savings in 1945 now finds that that capital will buy less than three-fifths as much as it did then.

But Americans, so far, have been the very lucky ones. The situation is much worse in England, and still worse in France. In some South American countries practically the whole value of people's savings – 92 to 95 cents in every dollar – has been wiped out in the last ten years.

Not a Managed Money

The tremendous merit of gold is, if we want to put it that way, a negative one: It is *not* a managed paper money that can ruin everyone who is legally forced to accept it or who puts his confidence in it. The technical criticisms of the gold standard become utterly trivial when compared with this single merit. The experience of the last twenty years in practically every country proves that the monetary managers are the pawns of the politicians, and cannot be trusted.

Many people, including economists who ought to know better, talk as if the world had already abandoned the gold standard. They are mistaken. The world's currencies are still tied to gold, though in a loose, indirect, and precarious way. Other currencies are tied to the American dollar, and convertible into it, at definite "official" rates (unfortunately subject to sudden change) through the International Monetary Fund. And the dollar is still, though in an increasingly restricted way, convertible into gold at $35 an ounce.

Indeed, the American problem today, and the world problem today, is precisely how to maintain this limited convertibility of the dollar (and hence indirectly of other currencies) into a fixed quantity of gold. This is why the American loss of gold, and the growing claims against our gold supply, are being viewed with such concern.

The $35 Question

The crucial question that the world has now to answer is this: As the present system and present policies are rapidly becoming untenable, shall the world's currencies abandon all links to gold, and leave the supply of each nation's money to be determined by political management, or shall the world's leading currencies return to a gold standard – that is, shall each leading currency be made once again fully convertible into gold on demand at a fixed rate?

Whatever may have been the shortcomings of the old gold stand-

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ard, as it operated in the nineteenth and the early twentieth century, it gave the world, in fact, an international money. When all leading currencies were directly convertible into a fixed amount of gold on demand, they were of course at all times convertible into each other at the equivalent fixed cross rates. Businessmen in every country could have confidence in the currencies of other countries. In final settlement, gold was the one universally acceptable currency everywhere. It is still the one universally acceptable commodity to those who are still legally allowed to get it.

Instead of ignoring or deploring or combating this fact, the world's governments might start building on it once more. ◈

KNOWING THAT WE KNOW NOT

LEONARD E. READ

A QUESTION that plagues numerous libertarians is: "Why does the free market, private property, limited government way of life find so little acceptance? Isn't it because it's so hard to understand?"

The right answer, it seems, is a qualified "yes." For it is extremely difficult to understand that there is a method of social and economic cooperation that doesn't require a lot of knowledge on the part of any one person. It isn't easy to grasp the fact that there is a wonderful way of life, suited to humanity as it is – that is, made to order for all of us, no one of whom knows very much.

The fact is, the free market can no more be understood than can a living tree or Creation itself. But like the sun's energy, or even life, it is possible to gain an awareness of its miraculous performances and, becoming thus aware, treat this system of discoveries and willing exchanges with the intelligent solicitude of any other wondrous blessing. We can know of the free market; we cannot understand it!

We know of the Giant Sequoia, for instance. But we do not pre-

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tend that we understand this wonder of Nature. We readily concede the tree to be a product of Creation, and let it go at that. True, scientists have noted that it is energy in particular atomic and molecular configurations, but understanding fades into nothingness when it comes to comprehending what atoms and molecules really are and how they coalesce to manifest themselves in a tree. But we do not have to understand trees in order that our lives may be enriched by their existence.

The free market is just as incomprehensible to our finite minds as any other manifestation of Creation. The artifacts by which we survive and live and enjoy ourselves – each and all of them, from the bread we eat to Grand Opera – represent the culminations of trillions upon trillions of creativities and discoveries which have been flowing through the minds of men and interacting in complex exchange ever since the dawn of human consciousness. These proceed from the same Source as do the mysteries of Nature; they are spiritual forces – *in depth*.[1] We will never really understand the free market, but it is our good fortune that the market will confer its blessings on us regardless – that is, if we do not destroy it. Be it remembered that man, while unable to create life, has the power to destroy not only life but also the life-giving forces with which Creation has endowed him.

The Market Process to Be Taken on Faith

One of these important life-giving forces is the market process of voluntary exchange that affords abundance to millions of individuals where thousands previously struggled for subsistence. The process functions without any over-all masterminding; indeed, centralized, dictatorial planning is its nemesis! But if there be no awareness of or faith in this fact, man will go beyond his competency; he will interfere and disrupt the market and, by so doing, deny himself and countless others its benefits and blessings. If he doesn't know that he knows not, he will, as the saying goes, "throw a monkey wrench in the machinery." Man's misguided and coercive intervention can and will destroy this vital life force.

Man, with an exception now and then, has been willing to concede the creation of life and the cosmos to Creation. Some things in Nature he has had no part in originating; he doesn't know how they

[1] For an explanation of this concept, see Chapter II, "The Miraculous Market" in my *The Free Market and Its Enemy* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1965), $1.00 paper; $1.75 cloth.

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came about; a hand other than his own accounts for their making; he accepts them as the environmental structure in which he finds himself; and, important to this explanation, he does not demand that he understand how to make a tree, for example, before enjoying its shade or using its trunk to build his home. In a word, man seems to think it is all right *not* to understand miracles he has had no part in bringing about.

Rejecting the Mysterious

But let mankind begin to participate in creation, that is, to have an infinitesimal part in an occasional miracle or discovery, and contemporaneous individuals will tend *not* to accept the free market way of life – merely because they cannot understand how such "chaos" could account for the artifacts by which they exist.

The artifacts by which you and I survive and live give the appearance of flowing from our own hands, even though no one of us can make a single one of them.[2] Power and light, TV sets, autos, computers, dishwashers, milking machines, ball point pens, reapers, or whatever, seem to be of our own doing. The illusion that we ourselves are the authors of these artifacts, coupled with the belief that we should understand what we originate, causes many persons to reject the free market. It is this illusion that lies at the root of the trouble. Why, they seem to ask, should we embrace something we cannot comprehend?

The reality? The source of these artifacts by which we live is not contemporaneous man. At best, you and I do no more than to add a discovery or a creativity, now and then, to an enormous body of antecedent discoveries and creativities extending back through the millennia to the harnessing of fire. These trillions of discoveries and creativities, interacting in complex exchange, over many thousands of years, and finding their way through the porosity of restrictive and coercive interventions, taboos, edicts, and laws constitute the free market. It is a mistake to think of the free market as anything less than this incomprehensible performance *in depth*.

The Nub

Now we come to the nub of the matter: When people are unaware of the free market as it really is, they are prone to tamper with what they thoughtlessly misconceive it to be. They will tend to

[2] See Chapter XI, "Only God Can Make a Tree – Or a Pencil," in my *Anything That's Peaceful* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1964), $2.50 paper; $3.50 cloth.

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reject a performance they cannot understand in favor of a system whose specifications can be framed within their own dim awareness. Put another way, they are disinclined to place any faith in anything that is "over their heads." The free market being beyond their ken, they embrace what comes within their ken: price and production controls, taking from some and giving to others, diluting the medium of exchange, and similar perversions. In short, they contrive a planned economy, dictatorially managed – a way of life shallow enough for them to grasp.

Assume that man had the same attitude toward Creation as manifested in Nature as most men now have toward Creation as manifested in the artifacts by which man lives and survives. What would he do in this case? Not understanding or being able to make a tree, he would first obtain all of a tree's chemical components. He would next paste these together in the shape of a tree. He would then paint the parts to look like a tree. So skilled is the artistry of man that the visual resemblance would be remarkable. But there would be no functioning root structure, no osmotic pressure attending to sap flow; indeed, there would be no sap. Further, there would be no photosynthesis, or any chemical transformations, or any life! And as to its usefulness – well, nothing beyond an art gallery. What a grotesquerie!

The trillions of varied creativities, flowing through space and time, can never be synthesized to the point where the whole complex can be understood by any single person. Understanding is more than difficult; it is impossible. And, without question, it is this inability to understand which keeps faith in the free market from forming, growing, accumulating. It is also this inability to understand which accounts for all the little, annoying, destructive man-made substitutions. But the free market doesn't *need* to be understood.

The free market is but another of countless performances that require no more of man than an awareness of and a faith in its miraculous promises. The awareness and the faith are easy enough to acquire for anyone who can perceive the abundant evidence which lies about us on every hand. ◈

For a further development of the theme of the above article, see Leonard Read's *The Free Market and Its Enemy* (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1965. $1.00 paper, $1.75 cloth).

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Editor's Note: This article appeared in the July 1959 *Freeman* and is a slight condensation of a pamphlet published in 1953 under the title "Stand-By Controls." Unfortunately, it seems necessary to keep on explaining why government control of prices is economically, morally, and politically unsound.

Dr. Harper, for years a member of the staff of the Foundation for Economic Education, continues his research, writing and teaching as Executive Vice President of the Institute for Humane Studies at Stanford, California.

CAN WAGE AND PRICE CONTROLS CURE INFLATION?

F. A. HARPER

CONTINUING INFLATION inevitably poses the question: Are wage and price controls effective medicine for the illness? Does the bottle contain a potent remedy, or is it filled with the false potions of quackery?

A doctor diagnoses illness from his knowledge of a healthy body and how it functions. The economic doctors must do likewise. So our first step is to study the anatomy of a healthy trading economy.

Ours is a nation of 195 million persons. Like any other giant and complicated machine, its operation can best be seen by focusing our attention on its small, integral, and essential working parts, so that we may clearly observe how they relate to one another.

So let's start with Jones, a pioneer in the primeval forest. He hunts and fishes and grows some crops in his little clearing. He tames a few animals and uses them for toil or to provide food.

Then along comes Smith to be Jones' neighbor. He, too, hunts and fishes and farms. But Jones is the better hunter, and Smith is the better farmer. As they follow their respective abilities, Jones comes to acquire an abundance of furs, but is short of corn for his meal; Smith has a goodly supply of corn, but is short of furs. So one cold day in winter, Jones – warm in his furs, but hungry – wanders

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over to see Smith, who is well-fed but shivering in his cave. Jones proposes to trade some furs for some corn.

The two men may higgle and haggle over the terms of the trade. The margin for bargaining may appear to be wide in this instance, in contrast to real life in our complex economy. No alternative market exists for the product each has in surplus, except to keep it himself. But on closer scrutiny, we find that each has an effective bargaining tool against the other: Each knows that the other realizes the advantage of making a trade, as compared with keeping his surplus product. Each knows that there is little sense in driving so hard a bargain that it kills off a trade. Each realizes the absurdity of continuing to suffer for want of what the other has for trade. So we may assume that trade will somehow be arranged between them.

Now, what terms of the trade between Jones and Smith might be called fair and just?

The question of a just price presumes certain antecedent questions: Says who? In whose judgment? By what right to speak? Justice always presumes a judge with some principle by which to judge. Who is to be the judge, and what is the principle involved?

Would it be fair to make Jones the sole judge, empowered to force upon Smith whatever terms of trade he shall dictate? Hardly, for to do so is to deny Smith all rights of ownership of the corn he has labored to produce. It would allow Jones to confiscate Smith's property.

Would it be fair to make Smith the sole judge? No – and for the same reason.

The Historical Concept

Historically, the concept of "a just price dictated by a disinterested third party" has usually been offered as the solution of this seeming dilemma. This concept has persisted in the affairs of man since earliest times – since ancient man first congregated into groups of three or more, thus making it possible for one person to interject himself into the economic affairs of two other persons. Let us say that the third party in this instance is Joe Doakes, a new and distant neighbor. Joe seems to be qualified to render justice since he is "distinterested, impartial, unprejudiced, and objective." He might be called the "public representative." Shall it be left to Joe to decide what is a fair price?

Joe's presumed qualifications for judging what price is fair – being disinterested, and all that – are precisely the reasons why he is not really qualified at all. He has

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not one iota of right to speak as an owner because he has done nothing to produce either the furs or the corn. He has no relevant information except what he might obtain from Jones and Smith. They alone can know their own wants, and whether, at each specified price, they should keep what they have produced or exchange it. At best, Joe knows less about it than does either Jones or Smith.

Bluntly and in simple terms, Joe is unqualified for the job of determining a fair price; and furthermore, it is none of his business. To empower him to throw the bargain this way or that is to grant him the equivalent of ownership of both products; and by the test of who has produced them and who owns them under private property, he deserves no such right. At best, he is an interloper; at worst, he is an outright racketeer, holding a power by which he can demand a bribe from either or both parties.

What is wrong with this theory of an impartial judge determining what price is fair? Why is this any different from a judge in a court of law who presides, let us say, in a civil suit concerning an alleged violation of contract?

Such a civil suit involves an impasse of conflict, in which one or the other side must lose by a judgment of "guilty" or "not guilty." A judgment is rendered based on the evidence: Was there a contract? Was it valid? What were its terms? Were the terms violated by the actions of the person?

Yet none of these conditions exist in the instance of Jones' and Smith's trade. There is no impasse which must be resolved *against* one party or the other; each may keep his property and maintain his status the same as it was before they met. In that sense, neither must lose. If they trade voluntarily, both will be better off than before. And the ownership of what is his own gives to each the right of veto — the right to decree that there shall be no trade between them. As was said above, to violate this right by allowing Joe to force a trade at terms he dictates is to violate the right of ownership.

Dual Judgeship

How, then, is the problem to be resolved? Jones has been disqualified as the sole judge. And so has Smith. And so has Joe. Since that excludes all who comprise this society, the problem may appear to be insolvable. But it seems that way only if one persists in looking for a single judge — some one person qualified to make the decision.

There is the appeal of simplicity, among other things, in having authority reside with *one* person — some Joe — empowered to establish

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a just price. Throughout all history, this practice has been in evidence. In Medieval times, for instance, kings or lords fixed prices for goods, and thereby supported the traditional thought of the time, which presumed a just price according to the powerful church influence and the ecclesiastical "logic" of the time. More recently, various arrangements of government have done likewise. But always there has been some Joe occupying the seat of authority, like our own heads of OPA and OPS. There has always been the urge, in other words, to find some *one* person who should be empowered, as the all-wise, to decide the price that would be just. And therein lies the error of the search.

Under the beginning concept that Jones owns his furs and Smith owns his corn, it is clear that no rights are violated if no trade occurs and each keeps what he has. There is no conflict in that sense. The only sense in which a conflict can arise is if either Jones or Smith—or some third Joe—presumes ownership of what is *not* his, and acquires a power to dictate the terms of a trade beyond his own rights as owner. But so long as the basic right of ownership is preserved, a contemplated trade is never a conflict; it is an attempted act of cooperation under which *both* parties, not merely one, stand to benefit. Each has a voice in the decision. Since both reserve the right of veto, their voices are equal in a decision that must be unanimous or else there is no "case in court" and no verdict.

The exchange process involves two persons, not just one. There is no free exchange unless and until *two* persons, serving as judges, agree on what the price shall be. The only persons who qualify as judges are the owners of the goods to be exchanged.

The 195 Million Traders

In our 1965 economy, there are some 195 million Joneses and Smiths. The ebb and flow of their trade and exchange is too complex for any human mind to grasp fully. What is a just price for shoes or wheat or a day's work in this economy?

There is no one just price for all shoes sold today. Justice, as already analyzed, rests on freedom of exchange for *each* pair of shoes, between the store which offers it for sale and the consumer who considers buying it. So the only way to have justice in the price for shoes today is to have free trade and free terms of exchange for each and every separate deal. Justice in prices, then, precludes any legal or authoritative decree of price for any trade of anything.

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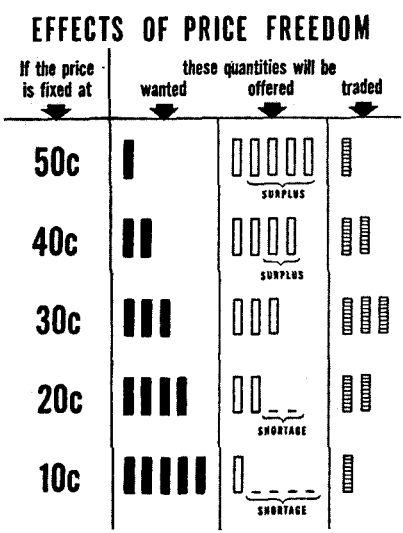
Justice on a large scale cannot be composed of subsidiary injustices. Justice in the aggregate comes only from justice in each of its parts – free and voluntary terms of exchange for each buyer and seller. That demands the preservation of private property rights, above all else. Justice resides in the right to keep what is one's own, if all buying offers are unsatisfactory; in the right of every offerer and bidder to resist coercion—even by the government, the presumed agency of legal justice. Once the search for justice ceases to focus on individual buyers and sellers and scans the national "price of wheat" or "hourly wage," the hound is off the trail. In a free economy where personal rights are preserved, there is no national price of anything; there are innumerable prices, trade by trade.



Miraculous Balance

When prices are freely arranged between each buyer and seller, an over-all condition develops which is one of almost miraculous balance. Both surpluses and shortages disappear. Peace appears where otherwise there would be chaos and conflict. "Who shall have what?" is resolved in the only way possible if a person's time is to remain his own; if what he has produced is to remain his; if he may give his property to whom he wishes, or trade it on whatever terms are satisfactory to both him and the buyer.

The manner in which this balance occurs is revealed by the accompanying chart. It combines two simple economic facts:

1. Consumers will buy less of a thing at a high price than at a low price.
2. Producers will produce more of a thing in anticipation of a high price than of a low price.

Another economic fact, not shown in the chart, is important in interpreting it: For a society as a whole, the consumers are the producers, and the producers are the

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consumers. This fact, coupled with the simple truth that we cannot consume what is not produced, necessitates a balance between consumption and production. As the chart shows, a balance in this instance is found at the free price (at 30¢), where neither surplus nor shortage exists. The free price also generates a maximum amount of trading; and the terms of trade will have been accepted by every seller and every buyer as benefiting himself – as evidenced by their having traded willingly. *The only just price is the free price.*

"Economic Illness"

Against this background of the anatomy of a sound economic body, we may now proceed with its pathology. What is the economic illness for which the stand-by controls are intended? What are the symptoms that will signal a rush to the economic medicine cabinet for the presumed remedy?

"It will be when wages and prices soar due to war or inflation or some other serious disruption; when some emergency causes acute shortages of certain things." These, in the minds of those who favor stand-by controls, are the symptoms of the illness.

Appearing before Congress, a former Defense Mobilizer said: "I am always delighted to see a return to the free market, but I must be sure that circumstances permit it."[1]

The same view was expressed in the following release from the Chamber of Commerce of the United States: "In case of a serious new national emergency, a price and wage freeze would be the most effective way of dealing with the situation, as we learned in both the World War II and Post-Korean periods."[2]

Such persons believe that the free market with free exchange is a pleasant luxury—a lovely thing to be enjoyed only in those happy times when the economy is sailing over untroubled waters. At all other times, the government should prohibit the citizens from such wasteful indulgence, and should dictate prices and wages under the control of administrative law. Freedom of exchange, by this reasoning, should be considered a pleasant pastime – a privilege granted to us and bestowed upon us by the government only when officials of government consider that the circumstances warrant it.

Weakness in Emergencies

As clearly implied in the Defense Mobilizer's statement, those who

[1]Hearings before the Committee on Banking and Currency, United States Senate, Eighty-Second Congress, Second Session on S.2594 and S.2645. March 4, 1952, p.27.

[2]*Economic Intelligence*, Number 55, February 1953, U. S. Chamber of Commerce.

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favor stand-by controls for emergencies look upon controlled prices as strength and upon free prices as weakness. Why, otherwise, would they prescribe the medicine of controls in emergencies?

Any price either above or below the point of a free price, forced by some "Joe" armed with political authority rather than with rights as owner, is *injustice*. As prices depart from that point, more and more trading is killed off, to the detriment of both buyers and sellers. Then further controls over the affairs of workers and producers are likely to be added in order to obfuscate the new difficulties brought about by the first injustice. Error is piled on error in an inverted pyramid of interferences, until eventually the monument of mistakes must be dismantled or collapse under its own unstable weight. Whenever a false premise is adopted for medication, the "cure" is likely to aggravate the condition; then there is the temptation to apply more and more of it under the assumption that the dosage was inadequate or that the area of application was too narrow. Nothing – not even the famous guinea pig – is as prolific as controls in the hands of political authorities, during so-called emergencies.

In the light of the previous analysis, enacting stand-by controls of wages and prices amounts to having a medicine cabinet stocked with injustice to be used in times of emergency; to creating surpluses and shortages, rather than balanced distribution, when emergencies arise; to giving a poison as an antidote for itself. If justice is strength and injustice is weakness, it amounts to prescribing weakness at precisely those times when strength is most needed. Goodness and justice, it would seem, are luxuries to be tolerated during an indulgent binge; but when the going gets rough and sobering realities must be faced, it seems that the emergency bottle should contain *injustice*.

Historical Failure of Control

For those who find the proof of the pudding only in the eating, history affords continuous and ample evidence, since the first known price control laws were enacted in Babylonia 3,800 years ago. They failed of their purpose, as has every similar attempt in recorded history since that time.

It is ever the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause. The attempt is made to adjust the scale on the thermometer by edict, rather than

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to cure the fever that causes the mercury to rise – so to speak. The treatment applied to the fever victim is to throw him into a deep-freeze.

National Socialism Via Control

The evidence against controls, even during emergencies, is so overwhelming – by logic, and as revealed in the historical record – that one wonders how their enactment has gained so much credence in this "land of the free." Could it be that we have been so busy manning the machines of physical defense that an intellectual mass attack upon our bastions has gone unnoticed? Sometimes our perspective on such matters is helped if we back away from the illusory belief we have embraced and look at the evidence from a distance.

Lassalle, the German Socialist, in a letter to Bismarck on June 8, 1863, wrote: "The working class instinctively feels attracted to dictatorship, if they can first be convinced that it will be practiced in their interests." Spengler accurately forecast an age of governmental demagogy when he wrote:

"What is truth? For the multitude it is that which they constantly read and hear . . . what it [the press] wants, is true. Its commanding officers engender, transform, and exchange truths. Three weeks' work by the press, and all the world has perceived the truth."

In the early forties, when we were at war with national socialist Germany, the United States Department of State published a revealing treatise on these ideologies of our then enemy. It is revealing because it shows that we embraced, and are still embracing, the ideologies of our enemy in national socialism.[3]

This source warned us that as the plan of national socialism progresses, an authority is to be made supreme; his decisions are to be final and always right; his followers are to owe him the duty of unquestioning obedience. This is the same concept that was advocated by the ardent nationalistic philosopher, Johann Gottlieb Fichte.

A Prophecy

But under the influence of Napoleon's repulsive example, Fichte later opposed absolutism in the state, foretelling the character of a future führer and describing how he might come to attain his power: The future führer would educate his people in cool and deliberate piracy; he would encourage extortion; robbery would be made the honorable token of a fine

[3]Raymond E. Murphy and others, *National Socialism: Basic Principles, Their Application by the Nazi Party's Foreign Organization, and the Use of Germans Abroad for Nazi Aims*, Department of State Publication No. 1864 (Washington, D. C.: U. S. Government Printing Office, 1943), pp. 11, 12, 15, 22.

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reason; the State should virtually eliminate private enterprise, setting up a rigidly planned corporate economy – including, of course, price controls and other controls of various sorts; there would be strict governmental control of labor and production, concealed inflation and blocked currency, international barter agreements, and intensive armament as a prelude to territorial expansion.

Those are the concepts embodied in controls, whereby legalized looting of some persons by others is authorized under guise of fighting inflation. It is the blueprint of national socialism as told by our own State Department. We should read it again and again – and judge our own acts by its measure.

Goering's Advice

This quotation from Henry J. Taylor, of what Goering said in an interview long after Goering, Ribbentrop, and others had been jailed following the surrender of Germany, is revealing:

"Your America is doing many things in the economic field which we found out caused us so much trouble. You are trying to control people's wages and prices – people's work. If you do that, you must control people's lives. And no country can do that part way. I tried it and failed. Nor can any country do it all the way either. I tried that too and it failed. You are no better planners than we. I should think your economists would read what happened here.

"Germany has been beaten, eliminated, but it will be interesting to watch the development of the remaining great powers, the stupidities they practice within their home lands, their internal strife, and their battles of wits abroad.

"Will it be as it always has been that countries will not learn from the mistakes of others and will continue to make the mistakes of others all over again and again?"

This same view – believe it or not – was confirmed by the then Vice-president of the Council of People's Commissars and People's Commissioner of Foreign Trade, in an interview printed in all Soviet newspapers on May 18, 1945.[4] In explaining the serious food situation in Germany, he blamed the Hitler regime for having forbidden free trade of all articles of daily consumption. He stated that the trouble was due to the closing of all markets and the forced delivery of all farm products to the government, thus killing the incentive to produce.

It is not, perhaps, entirely a coincidence that the man who was

[4]Supplied through the courtesy of Professor Jacques Rueff, of the Institut d'Etudes Politiques, Paris, France.

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the administrative head of German Price Administration until 1923, when their inflation exploded, came to the United States, wrote the book entitled *Price Control in the War Economy* in 1943, and became chief consultant in the Office of Price Administration.

A Matter of Degree

Now, rather than being at war with a national socialist Germany, we are involved in a "cold" war with communist Russia. Let's take a look at the advice from that quarter. Not that there is much difference between the communism of Russia and the socialism of Germany prior to World War II. Communism is merely socialism in a hurry. Even Marx spoke of what we now label "communist" as being socialist, and the Soviet state was named the Union of Soviet *Socialist* Republics. Moreover, the Communist Party in the United States, in its advice about recruiting new members, says that it should be easy to recruit a socialist by showing him that the Communist Party is the only real fighter for socialism in America; that the most effective way to help attain his ideals is to join the Communist Party.[5]

In 1848, Karl Marx, the "father" of communism, listed ten measures for a successful communist-socialist revolution. Among them are several which specify controls by the State of prices in their various forms, and also the confiscation of private property.

In 1950, Earl Browder, former leader of the Communist Party in America, discussed the American trend toward communism. He listed 22 specific attainments which he said had furthered the communist program in this country even beyond that attained in Britain under their much-maligned Labor government. Among those listed were controls over prices, credit, money, laborers, and businesses; also bribes, in the form of special privileges to various groups. The program is so far advanced already that the government owns nearly one-fourth of all wealth other than land, and has licensing and other controls over practically every type of business.

Stand-by Controls for What?

The most kindly charge that can be made against one who favors stand-by controls for emergencies, it seems to me, is that he does not understand the workings of a free market and that he lacks confidence in the performance of free men working with private property in a voluntary exchange economy. And if that be his belief, why does he not propose government con-

[5] *Gaining Recruits for an Idea*, single sheet, Foundation for Economic Education.

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trols of everything, *all the time?* Why not use the "strength" of controls all the time, not just in emergencies?

Stand-by controls? For what? Not, to be sure, for the purpose of either productive efficiency or justice! Not to maximize trade, nor to balance distribution so that shortages and surpluses will disappear! Not to further the freedom of man in this land which we claim will be the last bastion of freedom in the world struggle in which we are now engaged!

To enact stand-by controls would mean putting into the law of the land a permanent endorsement of a basic tenet of socialism – the principle that control of the vital mainstreams of commerce and confiscation of the rights of private property are sound and just practices. A nation of freedom cannot enact even stand-by controls and remain basically free.

> ". . . it hath been found by Experience that Limitations upon the Prices of Commodities are not only ineffectual for the Purposes proposed, but likewise productive of very evil Consequences to the great Detriment of the public Service and greivous Oppression of Individuals."[6] • • •

[6]June 4, 1778. *Journals of the Continental Congress* (1908 ed.), p. 569, Vol. XI.

IDEAS ON LIBERTY

One Set of Ills for Another

THE RESULTS have been astonishingly uniform. . . . The history of government limitation of price seems to teach one clear lesson: that in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. . . . The man, or class of men, who controls the supply of essential foods is in possession of supreme power. . . . They had to exercise this control in order to hold supreme power, because all the people need food and it is the only commodity of which this is true.

MARY G. LACY, *Food Control During Forty-six Centuries*

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JOHN C. SPARKS

IMPATIENCE UNDERMINES FREEDOM

THE TYPICAL American of the 1960's enjoys a level of living, health, and comfort unimaginable to those who struggled twice as hard a half century earlier. The increased leisure of a shorter work week and longer life span might be expected to yield an air of patience and relaxation. Yet, some future historian is likely to reclassify our age of speed as the era of impatience, marked by lack of time, annoyance at delay, intolerance of those held responsible. Ours definitely is not a time of great patience among men.

Sports and Recreation

One by-product of our extra time has been the rapid growth of sports and recreation. Here, surely, one might expect to find relaxation – and patience. Amateur and professional sports have always been popular in this country, but never before have there been so many organized activities – from Little League baseball to professional football, from small girls vying for victory for their swim club to the women's professional golf tour. Spectator interest also has grown along with increased knowledge of the techniques of the games. Televised broadcasts, with statistics supplied by commentators, afford the average fan enough knowledge of the game to be well aware and highly impatient when the players or the coaches err ever so little.

A coach's every move is public knowledge, including the methods he employs to teach young

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athletes. If coaches seem to lack patience with their charges, it is not difficult to understand why. Most fans will not tolerate a loser. No one talks of a losing season—certainly not a coach whose career is at stake. His teams must have won substantially more games than they lost. Such pressure is often reflected in severe impatience with the players and by tantrum-like antics along the side lines in response to decisions by officials. Other student activities are frowned upon by the coach and sometimes absolutely prohibited—such as participation in choir, speech, or another sport. No time can be allowed for rounding out a student; the coach must win. It is his livelihood.

Other Areas

Nor is such impatience confined to the playing field. Owners of business are impatient with a management that does not set sales-and-profit records each year. The political officeholder must promise prosperity to his constituents, and take steps to deliver, or he is quickly turned out of office for another whose promises are more convincing. People who enjoy the highest level of living in history are impatient for more, even when their savings have been spent. They seek short cuts to greater comforts than they can afford by contracting heavy debts and demanding political privileges.

The political opportunist sees the chance to vault himself into power by leading the impatient poor to believe it is unfair that others should enjoy a greater prosperity than themselves. Thus do impatient politicians seek easy advancement without the requisite patience, wisdom, and effort of true statesmanship.

Various professional church leaders would convert mankind, not by age-old methods of patient education and persuasion, but by the short cut of legislation to force "proper behavior" as they define it.

Parents ignore the responsibility of providing their children with a basic understanding and fundamental philosophy of life, abdicating to others who either have no time or ability to teach such wisdom or who have been restricted by public authority from doing so. Parents then become impatient because the results are not what they expected.

Impatience with Others

Other people are the most likely objects of our impatience, including persons we may never have seen before. A courteous, polite person may change personalities completely when he stations him-

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self at the wheel of an automobile, acting rudely toward other drivers who, he feels, are unnecessarily delaying him. This will add neither to his happiness nor to the safety of himself and others along his route.

Sometimes our impatience is more closely directed, as when a mother frets about her daughter-in-law's housekeeping, or so critically supervises a small daughter's piano practice as to destroy any aptitude for music the child might have had. An anxious and impatient father may cause his budding young athlete to err on otherwise routine plays. Impatience with others is no more the key to successful teaching than to self-satisfaction or to pleasant human relations.

The Root of Impatience

It is not unusual to find that impatience with others originates in anger at oneself. Recently, I played golf with an acquaintance who was having one of his better rounds, until a poorly executed shot on the fifteenth hole led to trouble. After that, he pressed succeeding shots, each worse than before. By the end of the round, his wild swings and displays of temper were in sharp contrast to the smooth, calm excellence of his earlier play. His final score was not as good as usual; yet nothing had occurred to alter the condition of the game except his mounting impatience with himself.

Just as every golfer would like to break par on each round, so perhaps does everyone dream a life of perfection, with health, marital bliss, a well-paying job, friends, travel, the respect of one's contemporaries, and the like. But few golf games or human lives are perfect dreams-come-true; the "slings and arrows of outrageous fortune" are bound to take their toll along the line despite all our foresight and planning. If one dreams unduly of perfection, any disturbance, however slight or unimportant, may be more than he can take – with patience. And others will be found to blame – one's children, spouse, employer, employee, neighbor – everyone else in general. The possibility of poor execution on his own part seldom will occur to him.

Many of today's most difficult social problems doubtless can be traced to the man who faults everyone but himself and then, in his impatience, lashes out against others. Leonard E. Read refers to such persons as "know-it-alls." Their worst affliction is their ignorance, "which they must inflict on the rest of us if they can find the means to do so. But there is no way . . . without employing compulsion. The know-it-alls, by them-

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selves, do not possess enough compulsive force to inflict their ignorance on the rest of us. What to do? They seek and often obtain positions in society's agency of organized force: government. In short – we obey their edicts, or we take the consequences."[1]

Government Planner's Salesmanship

The government planner is prone to seek out particular activities of private citizens – peaceful though they are – that seem to be poorly coordinated, or without overall plan. He then proposes a program to control or restrict private decisions or to prohibit them altogether. If the planner can persuade legislators to approve his idea, he need not bother selling the idea to the numerous private citizens affected. Political planning thus differs from the patient market effort to serve consumers to their personal satisfaction.

Furthermore, the government planner does not stand personally accountable for any weaknesses in his plan. And if he should gain the monopoly power he seeks, it will not be possible to compare the results with alternatives. Subconsciously the government planner rationalizes: "My plan, my dream, is superior. The government provides a short cut to its accomplishment. I am impatient to see my dream come true. Why not?" He never realizes that his own shortcomings are in this manner advertised for all to see.

Effect on Private Owner

Government planning also has important consequences to owners whose property may be involved. When the government proposes to seize property, directly or indirectly, the owner's only recourse is costly, often ineffective, appeal to courts likely to be biased toward the governmental plan. In contrast, property owners are fully free to accept or to reject any private plan offered in the market place, and at no greater cost than the effort of studying its pros and cons. No great defensive effort is needed to protect property against such peaceful planning. The private planner must be a good salesman, and his plans must be efficiently executed, if he is to remain in business. Patient persuasion and preparedness are the hallmarks of the successful private planner; impatience repels prospective customers.

The objective of freedom also can be thwarted by lack of patience. Persons newly aware that individual rights of ownership and choice are being sacrificed in the

[1] See *The Free Market and Its Enemy* (Irvington-on-Hudson, New York: Foundation for Economic Education, Inc., 1965.)

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name of the collective good are tempted to lash out at "the communists" without the necessary self-preparation in the understanding and practice of freedom. Patient study is required to properly answer false charges that the free market system neglects the poor and favors the rich. Identifying and denouncing communists before unwilling listeners gains no friends for freedom, and such impatience may only arouse sympathy for those so disparaged. Communists are not really to blame for the lack of preparation and understanding that leads the impatient champion of freedom to deal in personalities rather than with the ideas and ideals of his own worthy cause.

Ideas vs. Persons

Though impatience with other people is never to be commended, there is nothing to be gained by patience toward wrong ideas or practices. Theft, for instance, is wrong and should be impatiently rejected in all its guises. Laws that deny liberty are to be rejected summarily. Nor is murder to be patiently accepted. But to reject impatiently such evil practices does not deny the virtue of patience toward persons who harbor such mistaken ideas. To displace another persons' wrong ideas with those that seem more proper to us is the challenge each of us faces – and patience is the key.

By our intolerance, we deny the dignity of man. Or, as Emerson said in his essay on *Self-Reliance*, "society everywhere is in conspiracy against the manhood of every one of its members." Each man has his own destiny, his obstacles to overcome, his deepest purpose to fulfill. Interference by others not only delays that man's achievement but also deprives those others of the patience and will power to reach their own respective destinies.

Nor does such interference stem entirely from evil intent. Impatience may be the peculiar vice of those otherwise nobly endowed with the virtues and qualities of leadership; those who could lead toward freedom, if only they would leave others free to choose and to follow. Embittered lives, split communities, devastated homes, broken employees, spiritless children result from the tyrannical power of otherwise virtuous leaders who allow their impatience to destroy the spirit of independence.

Any person who would fully share the God-given right of every individual to be free must patiently content himself with overcoming his own weaknesses – not those of others. ◈

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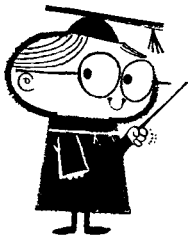

The Liberating Arts

EDMUND A. OPITZ

EVERYONE who wishes to pull his own weight in life needs one or more skills which his fellows think valuable to them. Most of us are not born with much talent; we have to learn to be useful. This means acquiring a "trade." The word is interesting. It implies that most of us cannot get by just being our own sweet selves; to the contrary, we have to learn to perform a service which is sufficiently attractive to our neighbor so that he will give us something he values a little less in order to enjoy that service.

And so there are training schools where we learn how to be secretaries, or mechanics, or fashion designers. At the professional level there are the traditional faculties of medicine, law, and theology; schools of science now constitute a fourth. Quite distinct from training and professional schools is the liberal arts college. The student emerges from one of these institutions after four years' exposure to a liberal arts program with little or nothing in the way of a marketable commodity; if he has acquired an immediately marketable skill, it is usually by extracurricular means. This is as it should be, for the fundamental purpose of liberal arts education is to provide genuinely liberating experiences for the persons involved.

The Reverend Mr. Opitz of the Foundation staff is active as a lecturer and seminar leader.

The Two Cultures

Everyone acknowledges the importance to society of the kinds of people who accomplish the work of the world: the engineers and technologists, the managers and manufacturers, the doctors, lawyers, chemists, and so on – the people who possess know-how, instrumental knowledge, power. But

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what about those who are schooled merely in the liberating arts; what role might they aspire to play in our culture?

If students have been exposed to the best that has been thought and said about man, so that they have some understanding of what it means to be a person, some understanding of the nature, destiny, and proper end of a human being, then — if such people are heeded by those with know-how and power — we might yet scrape together sufficient wisdom to save our society from being blown to pieces by the detonation of its newly released energies.

It is our fate to live at a time when enormous power is at our disposal, but only partially under our control. Control is ultimately an intellectual and spiritual thing, and we won't know what to do with our recently acquired power until we have decided what to do with our lives. This is where schooling comes in, for it is one function of a liberal education to help us face up to this question of how to make our lives count for the things that really matter.

Every one of us has encountered persons of enormous energy and enthusiasm, bursting with ideas which sound plausible, but whose projects fizzle out without getting anywhere. I knew such a man. He had written a widely noticed book during the thirties, and since that time had started numerous organizations to save the world. The world persistently refused the offer. Discussing the matter with a friend some years ago I wondered aloud why so-and-so had never gotten himself off the ground. "The trouble with him," said my friend, "is that he got his drive shaft installed before his steering wheel."

It is a prime function of a liberal education to provide us with the moral equivalent of a steering wheel, and perhaps a map as well. A bishop of the early Church said much the same thing when he declared that society needs three kinds of men: those who work, those who fight, and those who pray. Society needs someone to grow the wheat and bake the bread. It needs someone to stand guard and protect the producer against marauders. But in addition, it needs those who continually remind the rest of us that there is more to life than this, that man has a spiritual and intellectual nature with needs just as real as his physical hungers, that there is a meaning for human life which transcends material comfort or even physical survival, and that man will not solve his material and social problems unless he successfully seeks that meaning.

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Western Scholarship

Scholarship, therefore, has a significance that extends beyond the ivy walls. The tradition of Western learning goes back to Socrates — or to Plato. These men laid down the lines along which most serious thought has moved until our own time. This body of thought which goes back nearly two-and-a-half millennia, comprises "the grand old fortifying classical curriculum" of our ancestors. It is like the Gulf Stream coursing through the Atlantic as it comes down to us through the generations touching, at any given time, only a handful of persons. There is only a little exaggeration in Emerson when he observes that "there are not in the world at any one time more than a dozen persons who read and understand Plato—never enough to pay for an edition of his works; yet to every generation these [works] come duly down for the sake of these few persons. . . ."

The custodian of this intellectual treasure of ancient learning is the university. Every college in the American colonies consciously partook of this heritage, and likewise most of the colleges founded during the nineteenth century. The first of our universities, Harvard, was founded in 1636, and William Bradford, in his *Of Plymouth Plantation* traces its line of descent as follows: "A light was kindled in Newtown [that is, Cambridge] in the Bay Colony in 1636. But the spark that touched it off came from a lamp of learning first lighted by the ancient Greeks, tended by the Church through the Dark Ages, blown white and high in the medieval universities, and handed down to us in direct line through Paris, Oxford, and Cambridge." Harvard College was largely a duplicate of Emmanuel College, the most Puritan of the Cambridge (England) colleges, and the one from which John Harvard came.

Much has been made of the alleged tradition of anti-intellectualism in America's past and present. Unintelligent books continue to ring the changes on this theme, stressing the scars left by the frontier, and so on. There's some truth to the charge. We are a practical-minded people with little time for frills in education, or anywhere else. Our schools have tended to stress practical courses, the values of life adjustment, and quick returns. Then, too, there is our democratic ideology which, bypassing the important principle of equality before the law, introduces a leveling and egalitarian tendency into our attitudes. This sort of mentality is affronted by any excellence or superiority. But to say no more than this about the

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American mind is to convey a distorted picture.

Reformation Heritage

America was founded, and its institutions established, as a projection of the Reformation. So keen were the Reformers for learning that the medieval scholar's gown was adopted by the Reformation clergy as their official garb. Professor Harbison of Princeton points out that "the Protestant Reformation began in a scholar's insight into the meaning of Scripture. It was to a large extent a learned movement, a thing of professors and students, a scholars' revolution. The Catholic response to the challenge, particularly in the Council of Trent, partook of the same nature. The prestige and influence of Christian scholars probably never stood higher in all of Western history than during the two generations which embraced the lifetimes of Erasmus, Luther, and Calvin. In no other period is there anything quite like the zest for learning, the respect for scholarship, the confidence in what scholarship might accomplish — and the revolution it did accomplish — of the age of the Reformation."

There were other facets to the Reformation, of course, and the unlettered enthusiasts had a field day; but their decisive influence on American life came later. The Puritan clergy were scholars, and their influence did not wane until the late eighteenth century.

Useless Knowledge

The world in every generation perishes for want of purpose and direction, and it is the scholar with his wisdom, that is, the philosopher, who can save us from ourselves. But the cost of this kind of salvation comes high, and the world does not always want it at the price — as in the case of Socrates. Socrates might be said to exemplify the scholar's plight in every age from his day to our own. Socrates was blissfully unaware of his plight, except when Xanthippe, his wife, reminded him of it — which must have been on the hour, every hour. No wonder Socrates spent so much time out in the streets and in the marketplace! The philosophical opponents of Socrates were the Sophists, and the Sophists had a practical aim. They taught men to use their wits so as to win an argument or a debate, and they also taught the techniques by which a trial lawyer could win a case no matter how guilty his client. The Sophists were teachers who accepted fees for their services, and the skills they imparted commanded a good price. Socrates was also a teacher, but his teaching had no practical

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aim. His teaching subjected men to the painful process of thought and self-examination. Socrates gave men new ideas, but all *they* could feel was the loss of the old ones; so they got rid of him!

'Twas ever thus; it has always been the scholar and philosopher *against* the world. The two need each other as flint and steel need each other; but when they get together, the sparks fly. Perhaps there is a good reason for this mutual hostility and suspicion between the verbalist and man of intellect, and the mass of sensual and vegetative men. Deep down in the psyche of every one of us is the awareness that thought, even with the best of intentions, may betray us. At some point in our biological heritage we got separated from the sure guidance of instinct – which controls the behavior of the other orders of creation – and came reluctantly under the influence of the uncertain promptings and leadings of the intellect. Our conscious knowledge is still uncertain compared to the effortless assurance of that unconscious knowledge with which we breathe, circulate our blood, regulate our temperature, and so on. So, scholarship in every generation has to prove its merit and earn our confidence. Most scholars are men who deal in words, and those who manipulate verbal symbols are in danger of confusing words with what words stand for. Thus they may build a structure of thought so elegant as to be uninhabitable. Whitehead has warned us against what he called the Fallacy of Misplaced Concreteness.

The Intellectuals

Let me continue the case against the intellectual. An artist or a craftsman works in material that is only partly malleable to his mind and will. His experience is with refractory substances. In order to carry out his design he must make some degree of accommodation to the nature of the material. He has to learn that there are certain things he can do with bronze, for instance, which he cannot do with marble, and that steel is indicated in other situations. Thus, the craftsman and the artist is limited by the nature of his medium; it keeps him within the norms of realism and physical law.

There are no such natural and inevitable inhibitors to help the intellectual keep his feet on the ground and his head on his shoulders. That is why so many productions in such realms as philosophy and political theory are pure moonshine. The cloistered word-artist time and again has spun a gossamer fantasy which, while it may charm thousands for a time,

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has only the remotest relation to any verifiable reality. Thought is a nonresistant medium; which is why the court philosopher often resembles the court jester!

Although I may appear to be serving as a devil's advocate, my strictures against the philosopher and scholar are directed mainly at that tribe of True Believers who possess the Ultimate Truth, and who so often think of themselves as *The* Intellectuals. At this point I share the feelings of the late C. S. Lewis, the Oxford don. "It is an outrage," he writes, "that they should be commonly spoken of as Intellectuals. This gives them the chance to say that he who attacks them attacks Intelligence. It is not so. They are *not* distinguished from other men by any unusual skill in finding truth nor any virginal ardor to pursue her . . . It is not excess of thought but defect of fertile and generous emotion that marks them out. Their heads are no bigger than ordinary; it is the atrophy of the chest beneath — the seat of Magnanimity and Sentiment — that makes them seem so."

The Power of Public Opinion

As a matter of fact, it *is* ideas that rule the world, for good or ill; and the strongest power in society is public opinion. Therefore, it should be the prime goal of idea men to work toward an intellectual climate in which ideas are respected, and sound ideas made attractive. The world is reaping now the bitter harvest of ideas sown during the past couple of centuries, and the soil is waiting to be planted with different seed.

The scholar and philosopher, from time immemorial, has had to contend against ignorance, stupidity, indifference, and personal antagonism from without; within, he had to overcome his own inertia, prejudice, and the mind's natural frailties. The disciplines of logic and rhetoric aided him here, and an acknowledgment of the limitations of the intellect helped him think straight within those limits. The independent status of the mind in the universe was not successfully impugned; it was the mind of man which elevated him above the beasts and allied him with God, his Maker.

But in the nineteenth century, man as thinker had to face a challenge of a radically different kind — from a foe within his own household. I refer to the rise of philosophic materialism and mechanism which denies to mind and intellect an independent status in the universe. Materialism, briefly defined, is the doctrine that the universe contains no entities except those which can be analyzed exhaustively in terms of physics and chem-

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istry. It is the notion that only material particles are ultimately real, with the corollary that the realms of mind, spirit, or intellect are mere offshoots of bits of matter.

This is a kind of anti-intellectualism beside which all other varieties of anti-intellectualism are child's play! A theory is not a material thing; it is an idea, and an idea is nonmaterial. Materialism as a theory is, therefore, a contradiction in terms.

Seeds of Materialism: Darwin and Marx

Nevertheless, two seeds of materialism were sown in the year 1859, in Charles Darwin's *Origin of Species* and Karl Marx's *Contribution to the Critique of Political Economy*. Marx, in his Author's Preface to the *Critique*, writes as follows: "The mode of production in material life determines the general character of the social, political, and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness."

According to the internal logic of this statement, the categories true or false cannot apply to it; certain sounds are emitted by Marx who, if the statement be taken literally, is a mere mouthpiece for the material productive factors of 1859. His mind may frame the words, but it does not originate the ideas. The ideas are generated mechanically by "the mode of production in material life," with no more inherent vitality than words coming from a phonograph record.

Charles Darwin is customarily regarded as Mr. Evolution: actually, there are many theories to account for the biological and geological facts, and Darwin merely supplied the theory which survived in the struggle for existence with the other theories. Darwin eliminated purpose from evolution and admittedly made no effort to account for the inherent creativity in organisms which produced the variations upon which environment operates. Once the variations appeared, an automatic or natural selective process would occur, which preserved those variations favoring survival. Criticizing the Darwinian thesis, Jacques Barzun writes, "The sum total of the accidents of variation thus provided a completely mechanical and material system by which to account for the changes in living forms."

Darwin himself, unlike many of the Darwinians, entertained some doubts. Writing to a friend, he said: "With me the horrid doubt always arises whether the convictions of man's mind, which has

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been developed from the mind of the lower animals, are of any value or at all trustworthy. Would anyone trust the convictions of a monkey's mind – if there are any convictions in such a mind?" In the *Descent of Man* occurs the despairing assertion: "There is no fundamental difference between man and the higher animals in their mental faculties."

Mind Banished from the Universe

The intellect as an independent vehicle for the discovery of truth is now no longer master in its own household. There is only reflected opinion. For the Marxist, a man's opinion is merely a reflex of his class status; it is hopeless for the bourgeois to try to grasp proletariat truth. For the Darwinist, the mind is a mere fragment of nature, a tool for adjusting organism to environment. A generation or so after these men, the Freudians would teach that the conscious mind is a mere pawn in the grip of unconscious mental forces over which, by definition, we have no possible control. The mind or intellect, in being explained, is explained away.

Twenty-five years ago, Gerald Heard discussed this painful effort to eliminate mind or reduce the stature of intellect: "The mechanist picture of the universe," he wrote, "is consistently imposed on all that universe's contents, not merely on the motions of the heavens and of the earth but on the motions and motives of life and, finally, of consciousness. It is an immense achievement of coordinated argument and carefully selected illustrations – not of proof."

The trend that deprived mind of its citizenship papers in the universe and made it a mere appendage to the class, the organism, or the unconscious, was persuasive without being proved – or even provable. Proof is, in fact, impossible, because the thing declared incompetent – the mind – is our only instrument for proving or disproving anything. The intellectual cuts his own throat whenever he engages in the anti-intellectual conspiracy to sell short his chief weapon, the mind. Whenever he does this he damages himself, but in addition the scholar deprives society of his indispensable services.

Economic and Political Liberty

The scholar serves society by keeping its institutions under sympathetic and understanding surveillance, including its economic and political orders. The market place and the forum are two of society's most important institutions, and freedom constitutes the health of both. Liberties of

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the mind, in most periods, are self-evidently valuable to most scholars; but economic and political liberties appear to be grubby concerns remote from the study and the classroom. The fastidious scholar might regard them with distaste, much as the finicky Platonist is chagrined to find that his mind and spirit are ineluctably yoked to a perishing carcass which has to be fed and housed, tended when ill, and whose aches and pains interfere with his philosophizing.

This attitude of hostility toward or disgust with the physical body, found in Platonism and the Eastern religions, is no part of the Judeo-Christian tradition. The religious tradition in which most of us were reared has a robust, earthy attitude toward the body and its concerns. It holds that being in the body is a condition of the soul's salvation; and it is concerned, not only with the soul's immortality, but with the body's resurrection.

Economic Freedom a Means

The theological stance here was psychosomatic long before that term was invented, and this stance has a carryover into the market place. The business, commercial, and industrial pursuits of a society are somewhat analagous to the bodily activities of an individual; they are not ends in themselves but they are necessary means, and if they are to be efficient means, they must be free.

If the economic means are not free, that is to say, if they are centrally planned by government, government's role in society is immediately overextended and it perforce begins to impede the liberties of the mind, the scholar's central concern. The economic means are the means to all our ends, and whoever controls them obtains an almost irresistible leverage over every human activity.

Freedom to teach and to publish are basic liberties of the mind, but if the central government owns the schools and appoints the instructors, what becomes of academic freedom? And if newsprint is a government monopoly and all printing presses are government owned, the liberty of publishing vanishes.

Material Roots of Progress

Liberties of the mind have their roots in affairs that are not spiritual but material, and it has always been so. The Scottish philosopher and historian, W. G. De Burgh, in his great work, *Legacy of the Ancient World,* declares that "all down through the ages, knowledge and the arts have arisen and fructified in close contact with industry and trade.

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Athens and Alexandria, Florence and Venice, Antwerp and Rotterdam were great commercial cities, where artists and thinkers drew life and gave it back, by just exchange, amid the seething tide of human energy."

The mind is in the body, and the person is in society. The demands of organic life fret us in the first case, as do the imperatives of the economic and political orders in the second. Thus, there is an all-too-human tendency to bog down at this point; to regard these ties as either ultimate – in which case we face into a dead end, or negligible – in which case their instruction is lost on us.

But if the liberating arts have performed their true role, the biological and social orders are neither slighted nor overemphasized; rather, they are put in perspective as the indispensable means to ends beyond themselves. If the liberation "takes," the mind and the person emerge as the fulfillment and completion of the purposes for which body and society exist. ◈

IDEAS ON LIBERTY

A Fundamental Doctrine

STATISM postulates the doctrine that the citizen has no rights which the State is bound to respect; the only rights he has are those which the State grants him, and which the State may attenuate or revoke at its own pleasure. This doctrine is fundamental; without its support, all the various nominal modes or forms of Statism which we see at large in Europe and America – such as are called Socialism, Communism, Naziism, Fascism, etc., – would collapse at once. The individualism which was professed by the early Liberals, maintained the contrary; it maintained that the citizen has rights which are inviolable by the State or by any other agency.

ALBERT J. NOCK, from the Introduction to the 1940 edition of *The Man Versus the State* by Herbert Spencer

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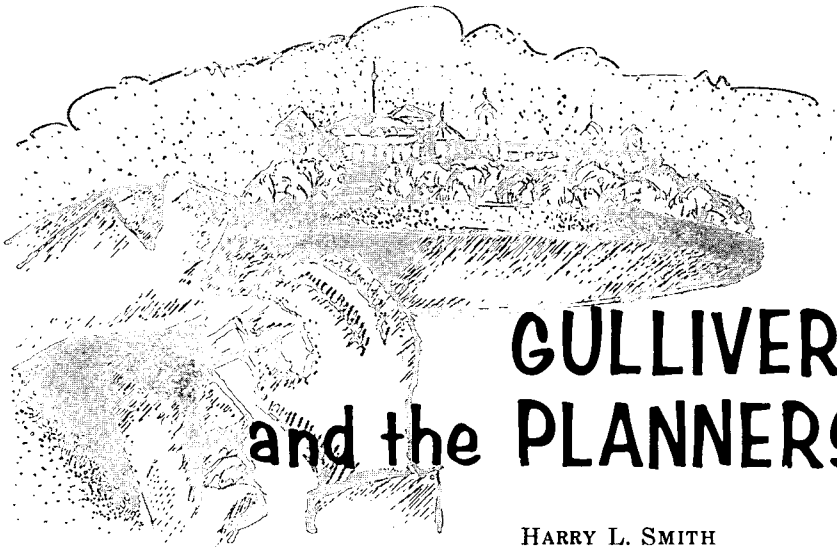

GULLIVER and the PLANNERS

HARRY L. SMITH

UNITED NATIONS officials, military men, and sundry world government advocates, have at times recommended an extraterrestrial police force. Such an international force, sanctified by good intentions, would circle the globe either on a man-made satellite or a military moon base, armed with the only atomic weapons available to mankind. With their infallibility guaranteed by national impartiality, these god-like astronauts would maintain a stern vigil over ambitious individuals, nations, or power groups which might seek to grasp more than their quota of worldly wealth or power. Once judged guilty of aggression, such troublemakers would be blown to smithereens. Thus would world peace, freedom, and prosperity be maintained forever.

Two hundred and fifty years ago, Jonathan Swift, the world's greatest political satirist, devised a similar plan. His hero, Gulliver, on his third trip to strange lands, was cast up on the island of Balnibarbi. This large island was ruled by a king who lived with his court on a flying island called Laputa. This second island was about four and a half miles in diameter, and could be raised, lowered, or pro-

Mr. Smith recently has returned to the United States with his family after many years as a businessman in Argentina.

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pelled by force of attraction or repulsion imposed by an adjustable lode stone or magnet attached to the under side of the island.

The king, like all kings, was infallible and had divine rights. In case of insurrection on the part of any town or city in his domain of Balnibarbi, he had a number of recourses. He could station his flying island over the offending city, cutting it off from rain or sunshine to the detriment of crops and the economy. If the rebellion persisted, large rocks would be dropped on the inhabitants and their dwellings destroyed. As a final punishment, the king might order his island to plop down on the wayward metropolis, flattening it completely and killing all its inhabitants. This last extreme was seldom used, since the king's ministers usually had property in each town, as did the king. Furthermore, there was some danger of destroying his floating home and vantage point.

In addition to maintaining law and order by this unique method, the king and his court controlled the economy of the main island through rule by expert.

Gulliver spent some time on the floating island and later descended to the main kingdom where he was befriended by a lord who was out of favor at court. This lord took him on a tour of the kingdom which was in a sad state of disorder brought about by hair-brained schemes of the government planners. However, this lord's own lands were prosperous and well tended by using proven methods. His failure to adopt government procedures had caused his fall from favor. Gulliver describes the lord's account of conditions as follows:

> That about forty years ago certain persons went up to Laputa, either upon business or diversion, and after five months continuance, came back with a very little smattering in mathematics, but full of volatile spirits acquired in that airy region. That these persons upon their return began to dislike the management of everything below, and fell into schemes of putting all arts, sciences, languages, and mechanics upon a new foot. To this end they procured a royal patent for erecting an Academy of Projectors [planners] in Lagado [the capital city]; and the humour prevailed so strongly among the people, that there is not a town of any consequence in the kingdom without such an academy. In these colleges the professors contrive new rules and methods of agriculture and building, and new instruments and tools for all trades and manufactures, whereby, as they undertake, one man shall do the work of ten; a palace may be built in a week, of materials so durable as to last for ever without repairing. All the fruits

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of the earth shall come to maturity at whatever season we think fit to choose, and increase an hundred fold more than they do at present, with innumerable other happy proposals. The only inconvenience is, that none of these projects are yet brought to perfection, and in the mean time, the whole country lies miserably waste, the houses in ruins, and the people without food or clothes. By all which, instead of being discouraged, they are fifty times more violently bent upon prosecuting their schemes, driven equally on by hope and despair; that as for himself [the conservative lord], being not of an enterprising spirit, he was content to go on in the old forms, to live in the houses his ancestors had built, and act as they did in every part of life without innovation. That some few other persons of quality and gentry had done the same, but were looked on with an eye of contempt and ill-will, as enemies to art, ignorant, and ill commonwealth's-men, preferring their own ease and sloth before the general improvement of their country.

By this last, Swift did not mean to imply that he was against true progress. As the giant king of Brobdingnag had said to Gulliver on an earlier voyage: "Whoever could make two ears of corn, or two blades of grass to grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country, than the whole race of politicians put together."

Finally, Gulliver admits to the reader rather sheepishly that at one time in his youth he, too, had been a planner. Anxious to visit the planning academies of Balnibarbi, he takes leave of his friend the lord which he relates as follows:

> In a few days we came back to town, and his Excellency, considering the bad character he had in the Academy, would not go with me himself, but recommended me to a friend of his to bear me company thither. My lord was pleased to represent me as a great admirer of projects, and a person of much curiosity and easy belief; which indeed was not without truth, for I had myself been a sort of projector in my younger days.

Thus, we see that similar mentalities are still with us: that the mind which would rule the world with an international satellite-based police force, is the same mind which would plan our daily lives.

While it cannot be said that the United States has as yet lost out to the "projectors," much of our planet "lies miserably waste," with strangulated and languishing economies, as can be found in parts of Asia, Europe, the Middle East, and South America, all victims of state planning. ◈

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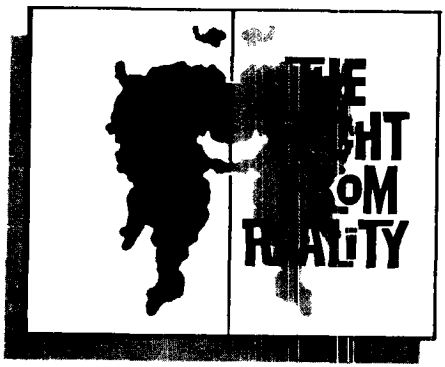

13. The "Democratic" Elite

CLARENCE B. CARSON

THERE have been strange and inconsistent developments in the movement toward what is billed as democracy in twentieth century America. The phrase that all men are equal has been a rallying cry of professed democrats. They have proclaimed their shock at the existence of distinctions, discrimination, and hierarchies. Leveling has been much in favor among them.

Yet these democrats appear to have developed myopia where certain kinds of distinctions are concerned. This is most pronounced where the presidency of the United States is concerned. For example, following the assassination of President Kennedy, and the subsequent events in Dallas, various columnists announced in shocked tones that there was no Federal law providing for the punishment of assassins or murderers of a President. Such cases fall under state law. This, the commentators declared, was hardly the way things should be. The matter should be corrected by making assaults upon the President a Federal crime.

Closely related to this is the employment of an extensive Secret Service to guard the President. Millions of dollars are spent annually to this end, and the amount has been recently greatly increased. Lengthy lists of potential assassins have been compiled, and

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Mr. John A. Sparks, a student at Grove City College, assisted with the research for this article.

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a concerted effort is being made to make the list as complete as possible. The men assigned to guard the President are expected to serve as human shields of his body if the occasion warrants such action.

It is not my purpose here to make any evaluation or judgment of such actions. They may or may not be justified. However, it would be difficult to do so from a "democratic" or equalitarian standpoint. If all men are equal, what would justify giving more protection to one man than another? Why should a guard place himself between the President and an assassin's bullet? Is it a more heinous crime to kill a President than it is to kill anyone else? If not, why should it be made a Federal crime to do so? In short, the attention and care lavished upon the President is hardly in keeping with the democratic ethos.

Here is another anomoly. Supreme Court decisions are made in the name of democracy and hailed as being "democratic." For example, the famous decision of Brown *v.* Board of Education of Topeka, *et. al.* was preceded by the following argument, among others, by lawyers for the appellants (who were seeking a decision for integration of the schools in question):

> The importance to our American democracy of the substantive question can hardly be overstated. The question is whether a nation founded on the proposition that "all men are created equal" is honoring its commitments to grant "due process of law" and "the equal protection of the laws" to all within its borders when it, or one of its constituent states, confers or denies benefits on the basis of color or race.[1]

Mr. Chief Justice Warren, who gave the opinion for a unanimous court, declared: "Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society."[2]

Again, it is not my purpose to evaluate the decision in question. My concern is with the use of the words "democracy" and "democratic" in connection with it. No branch of the general government is so remote from popular control as is the judiciary. It is the least "democratic" of all the branches. The members of the courts are appointed by the President, by and with the advice and consent of the Senate. They have life tenure in their offices, and can only be removed from office by actions taken in both houses of

[1] Quoted in Benjamin M. Ziegler, ed., *Desegregation and the Supreme Court* (Boston: D. C. Heath, 1958), p. 68.

[2] *Ibid.*, p. 78.

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Congress. The special function of the courts is to maintain a government of laws, and it was thought by the Founders that they would be more likely to do so if they were not subjected to popular pressures.

Federal court decisions, by their nature, are authoritarian and autocratic. That is, they are supposed to be made on the basis of the authority of the Constitution and precedent. They are autocratic in that ordinarily the members of the courts are not answerable to anyone for the decisions that they make. Their powers are not absolute, but they are as near to it as any granted under the Constitution. On the face of it, "democracy" is not a word one would associate with the Supreme Court.

A third strange development should be described also. As America has moved closer and closer to what is supposed to be democracy, the tendency has been for more and more power to be concentrated in the central government. Local and state governments have yielded up, or had taken from them, many of their governmental functions. In like manner, individuals and voluntary groups have lost exclusive control of many of their affairs as the general government has undertaken to regulate and control them. It is not immediately clear why such a course of development should be styled democratic.

If by democracy is meant government by the people, it would appear that a counter movement would be more nearly democratic. That is, individuals and groups could better control their affairs and govern themselves at the local level. Local governments are surely more sensitive to the wishes of the electorate than are governments far removed from them. State governments might be expected to reflect more accurately the wishes of their inhabitants than would the Federal government.

Changing the Meaning

These anomolies can best be cleared up by an understanding that "democracy" is used largely as a word cover for an ideological thrust. Melioristic reformers have been bent upon remaking society along certain lines. They have used the materials at hand to effect their ends. The belief in democracy by Americans was a major constituent element of the materials at hand. A new conception of democracy, however, had to be developed and propagated before it could be used in this way. It had to be wrested from its individualistic context and collectivized. It had to be changed from a means into an end. It had to be in-

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strumented to the purposes of reform.

It is tempting to charge the reformers with the cynical manipulation of a hallowed concept, with the malicious bending of words to their own ends. It is a temptation, however, that should be resisted. To appearances, at least, reformers have quite often been as confused as those they were drawing into their confusion. The intellectuals who provided the theories of reform were on a flight from reality. They were cut loose from methods of analysis and thought which would have enabled them to think clearly. It may be more accurate to think of them as feeling their way to usages of democracy that would accord with their ideological aims than to conceive of them as coldly planning linguistic *coups*.

At any rate, the idea of democracy was confused from the outset in the United States. As I have shown, the Jeffersonians and Jacksonians used "government" in an ambiguous sense in order to conceive of themselves as democrats. Moreover, there were mystical elements in the conception. Jean Jacques Rousseau is usually credited with, or blamed for, intruding mystifying elements into the conception of democracy. He introduced the idea of a general will into thought about the matter. This general will was a kind of pseudo-metaphysical concept. It involved the notion that there is a general will in society, that the aim of a society should be to discover this and for individuals to bring themselves into accord with it.

The general will was not simply the wishes of a majority of the electorate; it was that which all would wish for themselves if they but knew what they willed. No method was ever agreed upon for discerning the general will, but here was a fruitful idea that could be used, with variations, by dictators, majoritarians, technocrats, and assorted democrats. All modern notions of democracy are freighted with mystical and intellectually impenetrable conceptions.

Building on Illusions

Reformers took over the existing illusions about democracy in America, and added to them. Perhaps the chief illusion taken over is that the United States is a democracy. This illusion has already been explored in some detail, so it needs only summary treatment here. These United States, taken together, are a constitutional federated republic. Those who govern do so on the basis of the representative principle. The people do not actually govern, nor has there ever been any reason for suppos-

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ing that they do. The power and authority of the courts derive from the Constitution, not from any supposed democratic character of decisions issued by them.

Perhaps the most important illusion added by the reformers is that socialism can be democratically achieved. There is some evidence that many reformers believed this in the early years of the movement in America. In the late nineteenth and early twentieth centuries much of the effort of reformers was devoted to making America more democratic. This was particularly true of those known as populists, but it was only to a lesser degree true of the Progressives. The platform of the Populist Party in 1892 called for, among other things, a secret or Australian ballot, the direct election of Senators, legislation by initiative and referendum, and the limitation of the President to one term in office. To this program the Progressives added and pressed for a provision for the recall of judges. Also, there had been a movement for a long time for female suffrage. The Progressives took up this clamor as a part of their platform. The Bull Moose Party platform in 1912 called for a national presidential primary.

Some major changes were made in consequence of these efforts. The Seventeenth Amendment, ratified in 1913, provided for the direct election of Senators. The Nineteenth Amendment, ratified in 1920, extended the vote to women. Some local governments and states adopted the initiative and referendum procedures for some matters, and a goodly number of states provided for presidential primaries.

Extending the Electorate

But these populistic devices only partially solved one of the problems of reformers. A wider suffrage did enable them to elect reformers to office – sometimes. Even this was not an unmixed blessing, as reformers were shortly to learn. The electorate sometimes displayed strange tastes. They preferred an experiment in national prohibition to participation in a League of Nations. They preferred a "return to normalcy" to various and sundry redistributionist schemes. Still, reformers could be more readily elected to office when there was a more inclusive portion of the populace within the electorate. At least, the over-all trends of this century would tend to indicate this.

Nor is the reason far to seek. The more extensive the electorate the more readily can it be swayed by demagoguery. If the propertyless can vote, they are more apt than those who have property to

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favor assaults upon it. The less the electorate is restricted to those who have demonstrated practical judgment, the more readily will it adopt or favor impractical schemes.

Centralization of Power

Even so, the major obstacle for social reform was not surmounted. The extension of the suffrage and the adoption of populistic devices did not mean that government would be by the people. There were still the governors and the governed. Indeed, most of the populistic devices – such as the initiative and referendum –, if they had been adopted, would have made socialistic reforms impractical to carry out, if not impossible. Reformers envisaged a planned, controlled, and directed economy. This required the centralization of power, the concentration of authority, and centralized direction. Democracy would tend to diffuse power, to locate decision-making with the numerous individuals who compose the electorate, and to make extended concerted action in a particular direction exceedingly unlikely.

Moreover, the reconstruction of society is a complicated and delicate undertaking. As Fabians (to use the term generically) have conceived the matter, it is to be done slowly. This would mean with a tenacity and with eyes fixed on distant goals which few men demonstrate. In short, the ordinary run of men cannot direct the government in this undertaking. One writer put the matter succinctly some years ago:

> The task of the government of a democratic society implies a wisdom and understanding of the complicated life of modern societies very far removed from the simple "horse sense" which is sufficient for the running of small and simple democracies. It is clear that a modern state can do its job only with a lot of expert help, expert statesmen, expert administrators. We must nowadays go on and say "expert economists and expert scientists." Perhaps we must go further and say "expert sociologists."[3]

To state it less obliquely, democracy and socialism are antithetical goals. More precisely, democratic means are not suited to the achievement of socialistic ends.

Transforming Means into Ends

Yet the thrust toward the realization of an ideology which should be called socialism has been carried on in the name of democracy. Two things were done to make it possible to avoid confronting this anomaly, to keep the name while

[3] A. D. Lindsay, *The Modern Democratic State* (London: Oxford University Press, 1943), p. 267.

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working for and accepting the substance of something else. First, *democracy was transformed into an end.* Second, the business of *government was increasingly turned over to an elite.*

It may be regrettable, but there is nothing particularly unusual about means being transformed into ends. People do it regularly, and in numerous instances. A house is a thing to live in, an automobile a conveyance to get one from one place to another, money a means of acquiring goods. Yet men will quite often treat these as ends in and for themselves. There may even be something wholesome and preservative in this tendency. Certainly, a house should become a home—something that has value and meaning beyond its accommodative usefulness. Things need much care and attention, and it may be that if we think of them only as means we will neglect them.

Voting Becomes an End in Itself Rather than a Means of Choosing

It would hardly be worthy of comment, then, if all that were involved were the transformation of democracy from a means into an end. Any such transformation does, of course, tend to lead away from reality. But the transformation of democracy involved a second remove from reality. As we have seen, the United States was not a democracy. Insofar as some of the means for governing were democratic, they fitted into a larger pattern of diverse means. The form of government could only be conceived of as democratic, descriptively, by abstracting some methods from the context of American government. Thus, the conception of American democracy was, and is, an abstraction. When it was made into an end, the abstraction was thingified.

Some examples will help to clarify this. Voting is a very important practice within the American system of government. In this way, many of those who govern are chosen. They are limited in their exercise of power by the fact that they must stand for election from time to time if they are to continue in office. Not only is government limited in this way, but it receives popular consent for action by this device. Nothing should be clearer than that voting is a *means* for making choices, giving the consent of the electorate, and limiting those in power. But it is often treated as an *end* today. Spot advertisements on radio and television, notices in newspapers, and posters and billboards exhort Americans to vote, though it does not matter for whom they vote. This is to treat voting as if it had meaning in and for itself,

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as if it were an end, not a means.

The abstraction is taken a step farther when this "democratic" procedure is taken from its governmental context and extended to the action of voluntary groups. The following actually occurred. Someone rose in a faculty meeting and made a motion that each member of the faculty should pay a certain amount into a flower fund, this amount to be withheld from the paychecks. The motion was seconded, and after some little discussion the motion was acted upon favorably by the faculty. The action was later nullified when an alert business manager pointed out that the enforcement of this act would be illegal. In fact, the faculty had assumed governmental powers, the powers of taxation.

But, one might object, the procedure was democratic, was it not? It certainly was, but it was not action in accord with the American system. If the faculty assumed the powers of taxation, there was no limit to the extent of such powers, no constitutional authorization, no independent judiciary, no procedure for investigations and hearings, no veto powers to prevent precipitate action. This was an excellent example of the abstraction of procedures from their whole context.

Actually, though, such pseudo-governments do exist in America, and have for some time. Labor unions have been empowered to act as pseudo-governments, with powers of taxation and enforcement. Farmers vote restrictions upon themselves and other farmers, and indirectly tax all of us. Indeed, elections abound and are apt to occur at any time or place where two or three are gathered together. Some of these are innocuous enough, but others turn any assemblage into a lobbying group or pseudo-legislative body. It would be highly unusual for anyone to arise when a vote was proposed and challenge the appropriateness of the procedure. They are accepted as if they were justified in and for themselves.

Dewey's Contribution

It may be that men have a tendency to turn means into ends, but this development in democracy was not simply the result of some inclination rooted in human nature. It served a purpose. It was promoted and propagated. Reformers articulated a vision of democracy as a goal or an end. Many men contributed, first and last, to this development but none more consistently and vigorously than John Dewey. Note how, in the following, he makes democracy an end and a goal:

> . . . A democracy is more than a form of government; it is primarily

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a mode of associated living, of conjoint communicated experience. The extension in space of the number of individuals who participate in an interest so that each has to refer his own action to that of others, and to consider the action of others to give point and direction to his own, is equivalent to the breaking down of those barriers of class, race, and national territory which kept men from perceiving the full import of their activity.[4]

More,

> . . . A society which makes provision for participation in its good of all its members on equal terms and which secures flexible readjustment of its institutions through interaction of the different forms of associated life is in so far democratic. Such a society must have a type of education which gives individuals a personal interest in social relationships and control, and the habits of mind which secure social changes without introducing disorder.[5]

In short, democracy is not only an end, but it has an end or aim — social control and social reconstruction.

Emphasis on Quality

In particular, the end of democracy has been most often thought of as equality. That is, democracy has often been defined as equality, and programs for providing equality have been described as democratic. One writer described the phenomenon, with obvious approval, in this way some years ago:

> There is excellent historical and psychological ground for the supposition that democracy, whatever it may mean of fraternity, must at least be an effort to embody equality in action. American modifications made in the democratic form may be interpreted as approach toward or recession from equality. What we have only now been considering in America as expansion of governmental regulation, even up to the creation of what has been called "the service state," has been done primarily in the name of equality of opportunity. From the "Square Deal" of Roosevelt, through the "New Freedom" of Wilson, up to and into the "New Deal" — this has all been an adventure in equalization. In fact, the general bent of American democracy has been the extension of liberty in the name of equality for the sake of solidarity.[6]

One may take issue with his use of "liberty" in connection with these developments, but he has aptly described the animating aim of the programs.

[4] John Dewey, *Democracy and Education* (New York: Macmillan, 1916), p. 101.

[5] *Ibid.*, p. 115.

[6] T. V. Smith, *The Democratic Tradition in America* (New York: Farrar and Rinehart, 1941), p. 17.

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The provision of equality could, and has, become an all embracing goal. When governments are used to do this, they must engage in innumerable activities. Wealth must be more or less redistributed; production and distribution of goods must be directed; prices must be more or less controlled; individuals and groups must be regulated so as to prevent discrimination, and so on. Such a goal as actual equality, if it could be achieved, could only be reached by the extended and concentrated effort of those who were acting with the force of an all powerful state. It would require the location of such power in the hands of men, and it would have to be centrally directed.

Steps toward Control

Several things had now been done to "democracy" by these abstracting processes. First, the methods associated with it had been made into ends – voting for the sake of voting, for instance. Second, it had been changed into a substantive goal, more or less divorced from its procedural methods. That is, if "true democracy" is equality, the methods of democracy are surely secondary. Third, the achievement of this goal required extensive and extended social reform. Fourth, the reforms required by "democracy" would be themselves "democratic." It follows, then, that whatever has to be done to achieve the goals is "democratic," however far removed it may be from democratic procedures.

As a writer observed in an earlier quotation, the effort must be directed by experts – by an elite, if you will. The above is the line of reason, or unreason, by which something so uncongenial to democracy as an elite could be justified. But government by an elite was not only uncongenial to democracy; more important, it was also uncongenial to the American way, and to Americans. Americans liked to manage their own affairs, both private and public. The notion of having their affairs managed by experts might not be expected to be too popular. Still, it has come to pass that an elite increasingly governs, and their responsibility to the populace is often quite indirect, if not nonexistent.

The Theory of an Elite

Elitist ideas have been very prominent in European thought for the past century. As one historian says, "The ideal of an elite guiding mankind toward a better life in a new society has played a role" in many social theories. "Marxism had its elite in the Communist Party, and Nietzsche

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longed for an elite of individualistic supermen."[7]

Perhaps the most extensive theory of an elite set forth was by Vilfredo Pareto in a three-volumned work called *A Tract of General Sociology.* He held that man is fundamentally irrational—or that most men are—, that he is governed by "residues" and "derivations" — residues being, roughly, inherited beliefs, and derivatives being particular formulations from these which serve to motivate behavior and attitudes. An elite could govern through its knowledge of the psychology of the masses. "The main business of this elite must be to manipulate residues through controlling their derivations. Here propaganda came into its own, for the residues were irrational and thus the derivations had to appeal to the irrational in man. . . . Thus if meat inspection was desired, the appeal could not be to civic pride but instead to the fear of death through poisoning."[8]

America has had no Pareto. The nearest thing to him was probably Thorstein Veblen. Veblen did set forth a theory, or, in the peculiar argot of progressives, a prediction, of an elite. His elite was made up of industrial technicians, and when it ruled it would be a technocracy. Veblen held that increasingly business was managed and guided by technicians. These had been brought in the service of what he called "absentee owners," the holders of corporate stock, and so forth. But he expected that in time they would perceive that these owners contributed nothing to production. When they did so, they might be expected to revolt by way of a general strike of technicians and take over the industries. He did not profess to know when it would occur. "But so much seems clear, that the industrial dictatorship of the captain of finance is now held on sufferance of the engineers and is liable at any time to be discontinued at their discretion, as a matter of convenience."[9] When they took over, they would administer the industrial system for the benefit of the general welfare, so Veblen thought, not for the profit motive.

The "Soft Sell" in America

Of course, American reformers did not generally openly advocate government by an elite, or press for the formation of a technocracy. Instead, they acclimated

[7] George L. Mosse, *The Culture of Western Europe* (Chicago: Rand McNally, 1961), p. 293.

[8] *Ibid.*, p. 295.

[9] Thorstein Veblen, *The Engineers and the Price System* (New York: Viking, 1921), p. 82.

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Americans to the idea in a more piecemeal fashion, and talked in terms of more congenial ideas. They spoke of leadership, of experts, of civil service, and of public administration. Americans were, and are, much devoted to things scientific, and it was convincing to appeal for experts and technicians in government affairs. Indeed, in the 1920's, the introduction of such methods in government was often referred to as being businesslike.

The simplest illustration of the application of these ideas to government can be found at the local level of government. The city manager system was a direct outgrowth of the idea of having experts govern. The movement for city manager systems got underway in the early twentieth century, and was part of the general reform movement led by Progressives. The system is well described in the following words by an enthusiastic advocate:

> . . . A small council is elected at large and chooses a city manager. It may dismiss him but may not control his acts. The manager appoints the necessary city officers and acts for the city in much the same way that the general manager would for an ordinary corporation. He is responsible only to the councilmanic directors. . . . The amateur administrator, chosen on political grounds, is displaced by the expert brought in from the outside to manage the city. Politics is adjourned. At least this is the hope.[10]

Without perceiving the irony of it, this writer says: "The return to simplicity is hopeful whatever may be its details. The earliest type of city government in the United States was that of a single body. . . . Power and responsibility were concentrated. . . ." In short, "In essentials we are now back where we began. . . ."[11] He did point out in an earlier paragraph, however, that the city manager system might well be oligarchic. But he seemed mainly concerned that this situation would result from lack of public interest. To which one might reply, it is oligarchic, or, more precisely, monarchic, whether the public is interested or not.

City Planning Developed

A corollary movement was the city planning movement. The aim was centralized control of the development of cities and the drawing up and execution of master plans. One advocate stated the aims in this way:

> In a big way, city planning is the first conscious recognition of the

[10] Lindsay Rogers, "Government by City Managers," *World's Work*, XLIV (September, 1922), 519.

[11] *Ibid.*, p. 524.

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unity of society. It involves a socializing of art and beauty and the control of the unrestrained license of the individual. It enlarges the power of the State to include the things men own as well as the men themselves, and widens the idea of sovereignty so as to protect the community from him who abuses the rights of property. . . .[12]

These wonders were to be achieved by expert planners:

City planning involves a new vision of the city. It means a city built by experts, by experts in architecture, in landscape gardening, in engineering, and housing; by students of health, sanitation, transportation, water, gas, and electricity supply; by a new type of municipal officials who visualize the complex life of a million people as the builders of an earlier age visualized an individual home.[13]

Extending the Pattern to the National Level

This vision was, of course, transplanted to the nation as a whole. The idea of governing by an elite of leaders and experts was transferred there also. The President has most often been conceived of as *the* leader. The constitutional role of the President is considerable, but the office has grown mightily in power and prestige in this century. Theodore Roosevelt and Woodrow Wilson contributed to its stature. Theorists have come forward, too, to proclaim the role of leadership inherent in the office.

The following, written in 1921, exemplifies the tenor of such thought:

Thus the President is the one official whose position marks him at the present time as the national leader. Any man, no matter how obscure he may be to-day, will on the morrow of his election to this high office step into the blinding radiance of universal scrutiny.

The writer continues:

The legal functions of the President's office are so eminent that he cannot escape the responsibilities of executive action, however much he may be inclined to avoid them. His constitutional powers alone make him the pivot upon which all the administrative machinery operates. He appoints all the heads of departments and may direct their major policies. His power of appointment to all the greater offices is far-reaching. He can recommend, shape, and veto legislation. . . . In short, he is the most potent constitutional functionary in the world.[14]

[12] Frederick C. Howe, "The Remaking of the American City," *Harper's*, CXXVII (July, 1913), 186-87.

[13] *Ibid.*, p. 187.

[14] Samuel P. Orth, "Presidential Leadership," *Yale Review*, X (April, 1921), 453.

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Moreover,

> All these constitutional powers have been vastly augmented by practice and custom. The President today can do innumerable things that George Washington or Thomas Jefferson would never have dared do even if they had thought of them. The constitutional conception of the President is that of a chief executive, an administrator; custom has added to this conception that of leadership, of initiation.[15]

Already, then, the idea of presidential leadership had taken shape, an idea which has been used to provide a head for the exercise of centralized authority.

Experts Turned Bureaucrats

The President was to be assisted, of course, by numerous scientists, social scientists, experts, and technologists. Charles A. Beard made what well may be the classical argument for the use of technologists in 1930. Arguing in the manner of the historicist, he maintained that conditions of life had changed in America. The major source of these changes had been technological innovations. In consequence of these, according to him, governmental functions had been greatly augmented. He declared,

> Under the pressure of new forces, government itself has become an economic and technical business on a large scale. It comes into daily contact with all industries, sciences and arts. As a purchaser of goods . . . , operator of battleships, arsenals, canals and wireless stations . . . , regulator of railways, telegraph lines and other means of transportation and communication, it must command . . . competence equal to that of corporation managers. . . .[16]

Thus, he concluded, "Few indeed are the duties of government in this age which can be discharged with a mere equipment of historic morals and common sense."[17]

The matter is not one for despair, however. "Fortunately, in introducing these bewildering complexities into government, technology has brought with it a procedure helpful in solving the problems it has created: namely, the scientific method . . . . Though undoubtedly limited in its application, the scientific method promises to work a revolution in politics no less significant than that wrought in society at large by mechanics."[18] The mechanics of the scientific method in government would be, of course, experts turned bureaucrats.

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[15] *Ibid.*, pp. 453-54.

[16] Charles A. Beard, "Government by Technologists," *New Republic*, LXIII (June 18, 1930), 116.

[17] *Ibid.*

[18] *Ibid.*

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Democratic Reform

We now have the key for solving the problems originally posed in this article. Namely, how could the Supreme Court make "democratic" decisions? How could proponents of democracy and equality promote a privileged position for the President? How could centralized government be advanced in the name of democracy? On the face of it, these are incongruities. An explanation has been made, however, and it remains only to sum it up. Democracy was transformed into an end. As an end, government was to act to realize it. All actions that have as their end the effecting of democracy are then democratic. Thus, however autocratic the exercise of authority by the Supreme Court, if it helps to realize an equality of condition, it is "democratic." The realization of "democracy" requires central direction; hence, a leader. The President is that leader in the United States, and his protection becomes important because of his essential role in bringing about democracy. In this way, too, an elite could become "democratic" because of its necessity to the bringing about of substantive democracy.

More broadly, "democracy" was instrumented for social reform. Indeed, social reform was justified because it was supposed to bring about democracy. Thus, men have yielded up the control of many of their affairs in the name of democracy. Local governments have lost many of their prerogatives in the name of democracy. An ubiquitous bureaucracy makes numerous rules and regulations affecting the lives and liberties of Americans. But it is staffed by a "democratic" elite. ◈

The next article in this series will have to do with "Capturing the Hearts of Men."

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The Independent Sector

Do "anything that's peaceful," says Leonard Read – meaning that men should try to solve their problems, either individually or in voluntary association, without putting a gun at their neighbors' heads to make them pay for it. This, in the time of Alexis de Tocqueville, was good American doctrine. But who believes it today? The answer is that a lot of people do, but they don't know what to do about it. Our health problems seem so vast, our cities are such jungles, our racial groups are engaged in such bitter strife, that the average individual is cowed into letting the "public sector" take over, with hopes that the "private sector" will somehow continue to make enough money to finance everything from hospital care to subsidizing poor people's rents.

Plans Gone Astray

The trouble with this formula is that it has a reverse Midas touch, turning everything it touches into dross and tarnished brass. As has been aptly said, slum clearance means "Negro removal." The centers of big cities knocked down by the Federal bulldozer, are filched by legalized means from small merchants and sold at cut rates to monopolists. Able-bodied men are paid relief for not working, and their wives, subsisting on what comes without effort, breed children who continue on the relief rolls as a matter of inherited tradition. Commodity subsidies are paid out in a program originally designed to help the poor farmers, but 80 per cent of the money goes to the million farmers whose average annual income is more than $9,500. Meanwhile, our overregulated railroads become more and more decrepit, and our subsidized merchant marine, beset by strikes, disappears from the seas.

Surveying the dreary landscape, both conservatives and the new-style collectivist liberals react with apathy. The conservatives have no

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program. The liberals wonder how so much public debt and inflation can have bought so very little. And philosopher Paul Goodman, a collectivist liberal in good standing, writes: "Throughout society, the centralizing style of organization has been pushed so far as to become ineffectual, economically wasteful, humanly stultifying, and ruinous to democracy."

The Voluntary Way

Into this picture steps Richard C. Cornuelle with a book designed to bring Tocqueville up to date. Mr. Cornuelle gives his work a most provocative title, *Reclaiming the American Dream* (Random House, $3.95). The trouble with our thinking, says Mr. Cornuelle, is that we have fallen into the habit of two-value descriptions. We talk of the "public sector" (meaning government) and the "private sector" (meaning free enterprise), forgetting that a vast "independent sector," devoted to public purposes but paid for by private individuals, exists in the in-between land that used to be such an honored part of the landscape in Tocqueville's century.

What is original about Mr. Cornuelle's book is its clear-sighted ability to marshall convincing detail. He proves his case that the "independent sector" is capable of "stunning social accomplishments." As he says, a national private organization practically wiped out polio. The Mormon Church took care of all the welfare needs of its members throughout the worst depression years. Alcoholics Anonymous is always there to help an alcoholic who will admit that he needs help. Cleo Blackburn, without asking the Federal government for a cent, organized slum dwellers in Indianapolis into teams and set them to using the technical methods of Indiana's prefabricated housing industry to build houses for themselves. The banks lent money for the land and materials, and took the work of the building teams as a "sweat equity" down-payment on mortgages.

The Possibilities

Mr. Cornuelle multiplies his instances with such enthusiasm that it will surprise me if he fails to create a new movement that will attract both conservatives and modern-style liberals into a new "third force" camp. If fully mobilized, says Mr. Cornuelle with exhilarating conviction, the "independent sector" could wipe out poverty, put all willing and able people to work, solve the farm problem, give everyone good medical care, stop juvenile crime, renew our urban landscape, lever a wider distribution of stock owner-

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ship, provide plenty of good schools and cultural outlets, wipe out segregation, pay reasonable retirement benefits to all, and even give us a good foreign policy by carrying an independent crusade for human welfare and personal dignity abroad.

Signs of Progress

Is Mr. Cornuelle indulging in wild utopianism when he indulges in such comprehensive list-making? Our government seems to think so: *vide* the recent breakthrough staged almost without opposition by the Great Societarians who profess to speak for liberalism. But the "public sector," in practice, does so poorly for individuals that it is a rare community whose citizens don't have to look to the independent and private sectors to minister to their needs.

In the course of newspaper columning over the past three years I have come upon scores of instances which parallel those listed by Mr. Cornuelle. In Savannah, Georgia, the wife of a utility magnate borrows the money to buy up a decrepit portion of an old city's downtown area – and, surprisingly, turns it into a tasteful real estate venture that not only satisfies human needs at low cost but also earns a profit. In New Haven, Connecticut, a group of citizens turns an old business college into a fine liberal arts institute, Quinnipiac College, by charging enough to cover the education it dispenses and, simultaneously, letting the students find their own food and lodging "off campus," as was the centuries-old style in continental Europe. In Milwaukee, Wisconsin, the teen-agers, with an initial push from Elmer Winter of Manpower, Inc., have found more than a thousand jobs a summer for adolescents over the past two years. In Vermont, lumber companies lease their more majestic mountain land for ski centers, where thousands disport themselves at popular prices. In Colorado and in the Poconos of Pennsylvania, the Baptist Church maintains camps for its young people and lets the more indigent among them pay their fees by a minimal amount of work. In Los Angeles, members of the Western Student Movement volunteer their teaching services in a program designed to rehabilitate drop-outs. All of these instances, and many more like them, have come to my casual attention even though, unlike Mr. Cornuelle, I was not busy with any systematic search for them.

The "independent sector" keeps turning up rich evidence everywhere of response to the old American idea that voluntary association can take care of almost any-

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thing. Testing his theory before writing about it, Mr. Cornuelle himself organized United Student Aid Funds, Inc., to guarantee bank loans made to boys and girls seeking college educations. In a space of three years USA Funds, Inc., has guaranteed 68,000 loans totalling $40 million – proving to Mr. Cornuelle's satisfaction that the need for "Federal aid to education" is an illusion.

Attention, Churchmen

Near the close of his book Mr. Cornuelle, himself reared in a parsonage, puts two sets of statistics in poignant juxtaposition. Almost 118 million people in 320,000 religious congregations in America are told there is nothing much for them to do but "be pious and pay their taxes." Meanwhile, there are a million people in the country who are listed as "unemployable cases." This amounts to about 3 per church. In other words, if each church in America were willing to help three people "out of helpless poverty into productive employment," a formidable problem "would come tumbling down like the walls of Jericho."

This is something to think about for the clergymen who are joining marches on Washington to stimulate bigger Federal relief programs that invariably end by institutionalizing unemployment. ◈

▸ MERCHANTS MAKE HISTORY by Ernst Samhaber, New York: The John Day Co., 1964, $6.95, 396 pp.

Reviewed by Robert M. Thornton

THIS BOOK is neither a dry compilation of dreary facts and figures, nor a treatise on economics; it is the absorbing story of the influence of trade upon history – an exciting tale of merchants traveling into strange and exotic lands, venturing forth over dangerous seas, mountains, and deserts, and risking their fortunes, if not their lives, to buy and sell.

Scanning the annals of trade since the beginnings of recorded history, Mr. Samhaber, a merchant and scholar, finds proof that government interference in economic affairs, whatever the intentions may be, always does a great deal of harm in the long run. Direct harm is wrought by political interventions, and then governments typically try to repair the damage by inflating the currency. This cure compounds the disease! As the author observes, "How tempting always are the gains of inflation and how terrible and disastrous are its invariable consequences!"

There are, generally speaking, two ways in which government may interfere with the market: it may grant merchants and others

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special privileges in the form of monopolies, tariffs, exchange controls, import and export quotas, and the like; or, on the other hand, it may assault the merchant class by taxation, legislation, regulation, and confiscation. In either case, the public suffers. But when merchants are let alone — not pampered and not abused — the public prospers. Rarely, over the centuries, has government kept hands off. Usually, competition causes apprehension in those involved, and some businessmen run to the government for protection. Any privileges they receive from government are paid for by the consumers in the form of higher prices and a scarcity of goods.

The value of the merchant, explains Mr. Samhaber, and the reason he should never be arbitrarily hampered, is that he, like money, acts as a lubricant in the economy. Present-day economies are inconceivable without merchants, just as they would be impossible without a medium of exchange (money). Barter has great limitations and will do only for the simplest economy. Complex transactions require money and merchants. The latter bring together, over long distances and periods of time, the buyer and the seller. This is what distinguishes merchants from other men of business. They are not concerned with banking, producing, or retailing; they are engaged simply in buying goods to be resold, hopefully, at a profit.

As to what would happen if there were *no* merchants, read the wonderful little story Mr. Samhaber tells at the beginning of his splendid book. It is worthy of another free-trader named Bastiat! ◈

▸ UNIVERSITY ECONOMICS, by Armen A. Alchian and William A. Allen, Belmont, California: Wadsworth Publishing Co., 1964, 924 pp., $7.95.

Reviewed by Dr. George M. Wattles, Rockford College.

University Economics is a refreshing and worthy addition to the spate of texts intended to guide students who wish to understand principles of economics. Like the reversible raincoat, it may also perform a second function reasonably well. The layman could hardly find a more thorough and instructive reference book for his private study. A word of caution to all purchasers: Buy a copy from the second printing. Unfortunately, the first printing contains a profusion of typographical errors.

Students of economics will appreciate the many practical questions which follow each chapter. They will learn much from the unique section which gives an-

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swers to about one-half of the questions. By observing which questions are answered and which are given indefinite answers, the careful reader will perceive the caution and respect with which these authors approach their subject. More than most of their fellow authors, Alchian and Allen are careful to separate the science of economics from all loose and opinionated use of economic shibboleths. They are particularly careful to avoid the impression that study of economics will lead us to panaceas.

The forte of this book is its detailed discussion of micro-economics – the economic behavior of individual persons and firms. Appropriate emphasis is given to the importance of private property. The effects of attenuation of our property rights, whether directly, indirectly, or by threats, is described more clearly than in any similar work. For example, the reader will understand why his regulated public utility behaves as it does.

Instead of intemperate criticism of governmental interference in the market place, these authors wisely rely on reference to proven and basic economic principles. They *lead* the reader to his own sound conclusions.

The paucity of space devoted to discussion of popular current economic issues is both a strength and a weakness. Some readers may be disappointed. In the long run, however, the student will come to appreciate the relative emphasis on fundamentals. He will find that his knowledge of economics is vital as he seeks to comprehend the panorama of problems ahead, and he will perceive the economic facet of issues which had previously appeared to have none.

Among the more worthy discussions, one must cite those which involve popular concern about price rigidity, "excessive" advertising expenditures, and producers' control of product design and product price. The analysis of monopoly utilizes the important distinction between firms whose market power results from government action and those whose advantage is subject to competitive market forces.

The omnipresent topic of inflation is another which is treated with rare skill and perception. A clear separation is made between causes and effects of inflation. The areas of international trade and balance of payments are adequately handled but are not clearly superior to similar chapters in certain other texts.

None of us can read this well-written text without adding depth to our understanding of our own economy, and of every other. ◈

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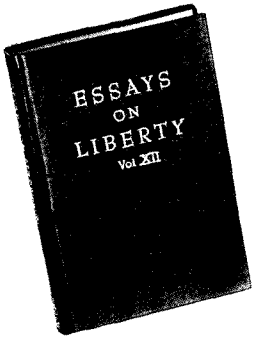

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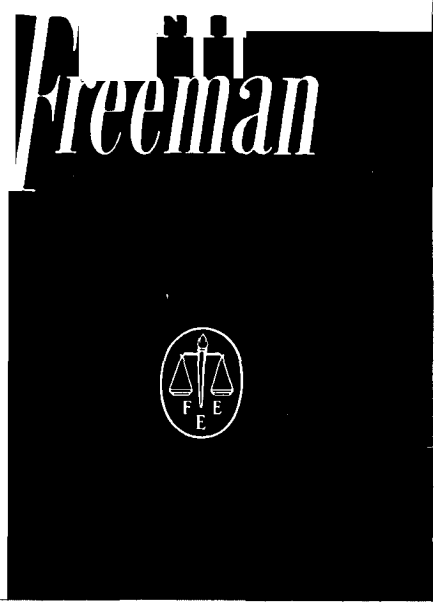

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